



FRANCHISE DISCLOSURE DOCUMENT

Supercuts, Inc.
A Delaware Corporation
7201 Metro Boulevard
Minneapolis, Minnesota 55439-2103
(952) 947-7777 www.Supercuts.com
franchiseleads@regiscorp.com

The franchisor's name is Supercuts, Inc. ("Supercuts"). You will have the right to own and operate one or more retail hair care establishments providing haircutting and related services under the "SUPERCUTS" mark and other distinctive marks.

The total investment necessary to begin operation of a SUPERCUTS franchise is \$113,750 to \$233,600 (including initial real estate lease costs). This includes \$15,200 to \$105,600 that must be paid to the franchisor or affiliate (for a new SUPERCUTS Store to be developed, not an existing company-owned Store to be purchased). You generally sign a Development Agreement even if you want only a one-Store franchise. The development fee depends on the number of Stores you want to develop and whether you are an existing franchisee or a new franchisee.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or any affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Department at 7201 Metro Boulevard, Minneapolis, MN 55439, (888) 888-7008.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date of this Franchise Disclosure Document: October 29, 2013, as amended May 30, 2014

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit H for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH SUPERCUTS BY ARBITRATION ONLY IN THE STATE OF MINNESOTA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH SUPERCUTS IN MINNESOTA THAN IN YOUR OWN STATE.
2. THE DEVELOPMENT AGREEMENT REQUIRES THAT MINNESOTA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

SUPERCUTS, INC.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	October 29, 2013, as amended May 30, 2014 (Exemption)
Illinois	October 29, 2013, as amended May 30, 2014 (Exemption)
Indiana	October 29, 2013, as amended May 30, 2014 (Exemption)
Maryland	October 30, 2013, as amended May 30, 2014 (Exemption)
Michigan	October 29, 2013, as amended May 30, 2014
Minnesota	October 30, 2013, as amended June 3, 2014
New York	October 29, 2013, as amended May 30, 2014 (Exemption)
North Dakota	October 29, 2013, as amended May 30, 2014 (Exemption)
Rhode Island	November 15, 2013, as amended May 30, 2014 (Exemption)
South Dakota	October 29, 2013, as amended May 30, 2014
Virginia	October 29, 2013, as amended May 30, 2014
Washington	October 29, 2013, as amended May 30, 2014 (Exemption)
Wisconsin	October 29, 2013, as amended May 30, 2014

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of October 29, 2013, as amended May 30, 2014.

**THE FOLLOWING APPLIES ONLY TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48909
Telephone: (517) 373-7117

Despite subparagraph (f) above, Supercuts intends to enforce fully the provisions of the arbitration sections contained in its Franchise Agreement and Development Agreement. Supercuts believes that subparagraph (f) is unconstitutional and cannot preclude it from enforcing its arbitration section. You acknowledge that Supercuts will seek to enforce that section as written.

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EXHIBITS:

- A. Financial Statements
- B. Franchise Agreement (and Location Identification Amendment)
- C. Sublease
- D. Development Agreement
- E. Franchisee Listing / Departing Franchisees
- F. Franchisee Questionnaire
- G. State Addenda
- H. State Agencies and Agents for Service of Process
- I. Point of Sale System Rental Agreement
- J. Gift Card Participation Agreement
- K. Guarantee of Regis Corporation
- L. Agreements for Purchase and Sale of Assets
- M. Construction Management Services Agreement
- N. Receipts

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT G.

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

To simplify the language in this disclosure document, “Supercuts” means Supercuts, Inc., the franchisor. “You” means the person or persons, individually and collectively, awarded a SUPERCUTS franchise, and “your Store” means the SUPERCUTS store that you will operate if you and Supercuts enter into a franchise agreement, as described in this disclosure document. Supercuts is a Delaware corporation established on July 9, 1987, and is a wholly-owned subsidiary of Regis Corporation, a Minnesota corporation (“Regis”). Regis, Supercuts's only parent company, is a publicly-held company on the New York Stock Exchange trading under the symbol “RGS.” Supercuts' and Regis' principal business address is 7201 Metro Boulevard, Minneapolis, Minnesota 55439-2103.

Supercuts licenses the operation of retail hair care establishments known as “SUPERCUTS” Stores. Supercuts also owns and operates numerous SUPERCUTS Stores. (See Item 20) These “company-owned” SUPERCUTS Stores are owned and operated by Supercuts Corporate Shops, Inc., a wholly-owned subsidiary of Supercuts with the same principal business address. Supercuts grants franchisees the limited right and license to operate a SUPERCUTS Store (the “Store”) offering the services and products Supercuts approves and using its formats, designs, methods, specifications, standards, operating procedures, and proprietary trademarks, service marks, and other commercial symbols, including “SUPERCUTS” (the “Marks”). Your use of the Marks is subject to certain restrictions and Supercuts pre-approval. (See Item 13)

Unless you are signing a Franchise Agreement for a new SUPERCUTS Store to be developed under a previously-signed Development Agreement or as a result of your exercise of Expansion Policy rights (see Items 11 and 12), Supercuts' current practice is to sign a Development Agreement with all franchisees for each new franchise acquisition in a Site Selection Area (“SSA”), even if the franchisee expects to develop only one Store. Supercuts currently grants single-Store development rights (the “Single Store Program”) and 3-Store development rights (the “Fast Start Program”). If you acquire the right to develop just one SUPERCUTS Store, you will sign the Development Agreement and that Store's Franchise Agreement at the same time. If you acquire 3-Store development rights under the Fast Start Program, you will concurrently sign the Development Agreement and the Franchise Agreement for the first Store to be developed. You sign Supercuts' then current standard Franchise Agreement for each subsequent SUPERCUTS Store you open according to the Development Agreement. You must open the agreed-upon number of SUPERCUTS Stores, whether just one or 3 (“Minimum Development Quotas”), within specified development periods (“Development Periods”). If you fail to do so, your Development Agreement and Franchise Agreement will either automatically expire or be subject to termination by Supercuts (depending on your Store development commitment). (See Item 12)

Supercuts has operated (directly or through its wholly-owned subsidiary, Supercuts Corporate Shops, Inc.) one or more SUPERCUTS Stores since September 1987 and began offering SUPERCUTS franchises in January 1988. Supercuts has not offered franchises in any other line of business. Supercuts Corporate Shops, Inc. has not offered franchises in any line of business. It has operated SUPERCUTS Stores since its formation in October 1996. Neither Supercuts nor Supercuts Corporate Shops, Inc. has other business activities.

Purchase of Company-Owned SUPERCUTS Store or Affiliated Branded Salon for Conversion

Depending on your location, you might be interested in buying (and Supercuts or one of its affiliates might be interested in selling) an existing company-owned SUPERCUTS Store, or an existing affiliated branded salon for conversion to a SUPERCUTS Store, rather than developing a brand new Store location.

If so, you will purchase the Store's or salon's assets from Supercuts Corporate Shops, Inc. or the affiliate, as applicable, at a price that will be negotiated based on the value of the Store's or salon's assets and related goodwill. You and Supercuts Corporate Shops, Inc., or its affiliate, will sign an Agreement for Purchase and Sale of Assets (samples of which are Exhibit L) (the "Asset Purchase Agreement") to document that asset purchase. You will sign a Franchise Agreement (and, if applicable, Development Agreement) and Sublease with Supercuts at the same time and then operate the Store or salon going-forward as a SUPERCUTS franchise. If you buy an existing company-owned SUPERCUTS Store or an existing affiliated branded salon for conversion to a SUPERCUTS Store, you will incur certain costs to upgrade or convert the location to Supercuts' then current standards. (In both cases, that Store will count as one of the Stores to be developed under a Development Agreement.)

Supercuts' Affiliates

Supercuts' parent company, Regis, also owns hairstyling salons that sell products and offer hair care services. Regis operates its salons primarily under the names Regis Salons, MasterCuts, Smart Style, and Hair Masters (each of which is discussed below). Regis has not operated or franchised SUPERCUTS Stores other than through its Supercuts subsidiary. Regis is an approved supplier from whom franchisees may acquire (1) certain hair care products to use and sell at their SUPERCUTS Stores and (2) certain Store construction management services or Furniture, Fixtures & Equipment ("FF&E") coordination services.

This Item also describes Regis' other subsidiaries and affiliates actively engaged in franchising or operating haircutting or hair care establishments (all of which likewise may qualify as Supercuts' affiliates given their common ownership). Regis began operating Regis Hairstylists salons (later changed to Regis Salons) in 1963. Regis Salons are moderate to upscale conventional salon service businesses catering primarily to women. As of June 30, 2013, Regis had approximately 860 salons in the Regis Salons division.

Regis and/or its subsidiaries began operating what it refers to as "Strip Center" salons in 1987 and has franchised them since 1988. Strip Center salons, consisting primarily of Supercuts® Stores, Cost Cutters® salons, and Pro-Cuts® salons, are located in strip malls and offer affordable hair care. As of June 30, 2013, Regis had 6,159 Strip Center salons, 2,326 of which were Supercuts® Stores and 617 of which were Cost Cutters® salons. Regis first operated Cost Cutters® salons in 1999, though they were franchised beginning in 1982 by what is now Regis' wholly-owned subsidiary and affiliate, The Barbers (discussed below).

Regis began operating MasterCuts® salons in 1985. As of June 30, 2013, Regis owned and operated 532 MasterCuts® salons. MasterCuts® salons are "affordable" priced in-mall hair care salons with family haircutting services. Regis began operating Smart Style® salons in 1996. As of June 30, 2013, Regis owned approximately 2,490 Smart Style® salons, which operate in Wal-Mart® stores and Wal-Mart® Supercenters and share operational characteristics with MasterCuts® salons. All Wal-Mart/Smart Style® salons are value-priced, family-oriented hair care salons.

On January 5, 1999, Regis acquired the common stock of Hair Masters, a Washington corporation. Its principal business address is the same as Supercuts' address. Hair Masters began operating Hair

Masters® shops in January 27, 1984. As of June 30, 2013, Hair Masters had 266 Hair Masters-owned locations. On June 21, 2002, Regis acquired the stock of Dorbar, Ltd., which included 328 salons operating under the name BoRic's Hair Care. As of June 30, 2013, there were 192 BoRic's Hair Care Salons in operation.

Regis' franchisor subsidiaries are discussed in more detail below.

The Barbers Hairstyling for Men & Women, Inc. (“The Barbers”). Regis acquired The Barbers through a merger on May 20, 1999. Its principal business address is the same as Supercuts' address. The Barbers does business under the names “Cost Cutters®,” “The Barbers®,” and “City Looks®. Following its incorporation in 1968, The Barbers established a chain of company-owned, full-service hairstyling businesses throughout the United States under the name “The Barbers, Hairstyling for Men & Women®.” In 1970, The Barbers began franchising hairstyling businesses under the names “The Barbers®” and “The Barbers, Hairstyling for Men & Women®.” The Barbers began franchising “City Looks® By The Barbers” hairstyling businesses in 1987 (the name of which changed to “City Looks® Salon” in 1991 and “City Looks Salons International®” in 1993). “The Barbers®,” “City Looks® By The Barbers,” and “City Looks Salons International®” businesses provide men, women, and children with high fashion, full-service hair care, including shampooing, conditioning, hairstyling, and other hair care services; they do not offer hair care services on an item-by-item basis. The Barbers developed the “Cost Cutters®” hairstyling system in 1982 and has sold Cost Cutters® franchises since that date. As of June 30, 2013, The Barbers had 414 Cost Cutters® franchises, and Regis Corp. (a wholly-owned subsidiary of Regis with the same principal business address as Supercuts' address) operated 317 company-owned Cost Cutters® businesses. As of June 30, 2013, The Barbers had 18 City Looks® Salons franchises and no company-owned City Looks® Salons businesses. There currently are 4 franchised “The Barbers®” salons.

On February 10, 2009, Supercuts' affiliate, Regis Corp., acquired substantially all of the Cool Cuts 4 Kids salon business assets from Cool Cuts 4 Kids, Inc., including the trademarks and system and all 67 corporate-owned “Cool Cuts 4 Kids” salons (which brand began operating in 1998). Regis Corp. has granted The Barbers the right to franchise Cool Cuts 4 Kids businesses. As of June 30, 2013, Regis Corp. owned and operated 67 Cool Cuts 4 Kids salons, and The Barbers franchised 2 Cool Cuts 4 Kids salons.

Neither Regis Corp. nor The Barbers has ever operated or franchised SUPERCUTS Stores or offered franchises in any other lines of business.

Roosters MGC International, LLC (“Roosters”): On July 1, 2011, The Barbers acquired a controlling interest in Roosters MGC International, LLC, which has franchised since October 2009 a business system offering hair care services to the general public under the name “Roosters Men's Grooming Centers®”. Its principal business address is the same as Supercuts' address. The predecessor of Roosters MGC International, LLC started franchising the brand in October 2003. As of June 30, 2013, there were 64 franchised (but no company-owned) Roosters stores.

Roosters has never operated or franchised SUPERCUTS Stores or offered franchises in any other lines of business.

CutCo Acquisition Corp (“CAC”): CAC's principal business address is the same as Supercuts' address. CAC, a wholly-owned subsidiary of Regis, controls the franchising of Haircrafters® and Great Expectations® franchises. On March 9, 2000, CAC acquired the assets of CutCo Salons, Inc., which included the franchise rights to the Haircrafters® and Great Expectations® franchise systems. As of June 30, 2013, CAC had 19 Haircrafters® and 1 Great Expectations® franchise. Haircrafters® salons offer

price conscious clientele quality hair care services at value prices. Great Expectations® salons are designed to appeal to a fashion conscious clientele at prices approximately 30% higher than Haircrafters® salons. Great Expectations® salons were first franchised in 1974, and Haircrafters® salons were first franchised in 1961, in each case by CutCo Salons' predecessors. CAC does not intend to open or franchise new Great Expectations® or Haircrafters® salons.

CAC has never operated or franchised SUPERCUTS Stores or offered franchises in any other lines of business.

RPC Acquisition Corp. ("RPC"): RPC's principal business address is the same as Supercuts' address. RPC, a wholly-owned subsidiary of Regis, acquired the assets of Pro-Cuts Franchise Corporation on May 2003. Pro-Cuts Franchise Corporation and its predecessors first developed the Pro-Cuts name, service marks, and business system for Pro-Cuts haircutting stores in May 1982. Pro-Cuts Franchise Corporation started franchising Pro-Cuts Stores in 1999. As of June 30, 2013, there were 133 franchised (but no company-owned) Pro-Cuts Stores in operation.

On February 26, 2011, RPC opened the first sports-themed Pro-Cuts hair care and product salon (referred to as "Pro-Cuts Sports"), which is a different concept from the original Pro-Cuts concept described above ("Pro-Cuts Classic"). The Pro-Cuts Sports salon uses a different stylized Pro-Cuts logo and trade dress and has different product and service offerings from Pro-Cuts Classic salons. As of June 30, 2013, there were 16 company-owned and 12 franchised Pro-Cuts Sports hair care and product salons. RPC began offering franchises for Pro-Cuts Sports hair care and product salons in May 2011.

RPC has never operated or franchised SUPERCUTS Stores or offered franchises in any other lines of business.

First Choice Haircutters, Ltd. ("First Choice Canada"): First Choice Canada was formed on July 1, 2001. Its principal business address is 6465 Millcreek Drive, Suite 210, Mississauga, Ontario Canada L5N5R6. First Choice Canada owns the marks and franchise system for First Choice Haircutters® Shops in Canada. As of June 30, 2013, there were 181 First Choice Canada-owned salons in Canada, 74 First Choice corporate salons in the United States, and 194 First Choice franchised salons in Canada. First Choice Canada and/or its predecessors began offering First Choice Haircutters® franchises in July 1980. First Choice Canada has never operated or franchised SUPERCUTS Stores or offered franchises in any other lines of business.

Magicuts Ltd.: Magicuts Ltd. was formed on July 1, 2009. Its principal business address is 6465 Millcreek Drive, Suite 210, Mississauga, Ontario Canada L5N5R6. From 2001 through June 30, 2009, Regis Cuts Acquisition Corporation, an affiliate of Supercuts, a subsidiary of Regis, and the predecessor of Magicuts, franchised Magicuts salons in Canada. Magicuts Ltd. owns, operates, and franchises Magicuts salons in Canada. As of June 30, 2013, there were 56 corporate-owned Magicuts stores and 70 franchised Magicuts stores in Canada. In addition, Magicuts has 8 franchised SmartStyle salons operating in Canada. Magicuts has never operated or franchised SUPERCUTS Stores or offered franchises in any other lines of business.

Regis Holdings (Canada) Ltd.: Regis Holdings (Canada) Ltd. was formed on July 1, 2009 (renamed from Regis Hairstylists Ltd., which was formed on July 1, 2001). Its principal business address is the same as Supercuts' address. Regis Holdings (Canada) Ltd. is the parent company of First Choice Canada and Magicuts Ltd. (see above). Regis Holdings (Canada) Ltd. franchises and operates the "Supercuts®" franchise system in Canada, of which there were 17 franchised and 37 company-owned salons as of June

30, 2013. Regis Holdings (Canada) Ltd. also owns and operates all salons in Canada operating under the names “Regis®,” “Hair Masters®,” “Mastercuts,” “SmartStyle,” “BoRics,” and “Beauty Supply Outlet.”

On July 10, 2007, Regis Hairstylists, Ltd. (now Regis Holdings (Canada) Ltd.) acquired the “Beauty Supply Outlet” franchise system in Canada, which has approximately 33 franchised (and no company-owned) stores in the province of Ontario as of June 30, 2013.

Regis Holdings (Canada) Ltd. has never offered franchises in any other lines of business.

Franchised Business

Supercuts’ strategy is to provide consistent, convenient, high quality hair care services and products at low prices. While many other hair care stores offer chemical treatments such as perms, Supercuts’ services are generally limited to haircuts, shampoos, blow-drys, and color services. SUPERCUTS Stores are conveniently located in strip shopping centers and designed to create an attractive and appealing atmosphere. The market is well-developed and competitive. The SUPERCUTS business is not seasonal.

Competitors and Governmental Regulations

Your competitors include other retail hair care establishments providing similar services and product lines. Competitors may include any of the establishments previously discussed that are owned, operated, or franchised by Regis or any of Supercuts’ other affiliates. Competitors may also include other full service beauty salons and beauty supply stores. You will compete with all of these operations to obtain the services of skilled employees.

Every SUPERCUTS Store must have a Cosmetology License. Otherwise, no regulations apply specifically to the industry in which SUPERCUTS Stores operate. You must comply with all local, state, and federal health and sanitation laws and laws that apply generally to all businesses. You should investigate these laws when evaluating your franchise acquisition.

SUPERCUTS’ agents for service of process are disclosed on Exhibit H attached to this disclosure document.

ITEM 2 **BUSINESS EXPERIENCE**

President and Chief Executive Officer, Regis Corporation: Daniel Hanrahan

In August 2012, Mr. Hanrahan became President and Chief Executive Officer of Regis. From February 2005 through July 2012, Mr. Hanrahan was President and Chief Executive Officer of Celebrity Cruises, a division of Royal Caribbean Cruises, Ltd. in Miami, Florida.

Executive Vice President and Chief Operating Officer, Regis Corporation: Jim Lain

In November 2013, Mr. Lain became Executive Vice President and Chief Operating Officer of Regis. From August 2006 through October 2013, Mr. Lain was Vice President of GAP clothing stores in Chicago, Illinois.

Chief Administrative Officer and General Counsel, Regis Corporation: Eric Bakken

Mr. Bakken became Vice President, General Counsel, and Secretary of Regis on January 1, 2004. From June 2006 to April 2010, he was Regis's Senior Vice President and General Counsel; from April 2010 to February 2011, he was Executive Vice President and General Counsel; in February 2011, he became Executive Vice President, General Counsel, and Business Development; and from January 2012 to April 2013, he also was Interim Chief Operating Officer. In May 2013, Mr. Bakken became Regis's Chief Administrative Officer.

Executive Vice President and Chief Financial Officer, Regis Corporation: Steve Spiegel

Mr. Spiegel became Executive Vice President and Chief Financial Officer of Regis Corporation in December 2012. Mr. Spiegel was Vice President, Finance and Corporate Controller of Unilever Group (formerly Alberto Culver) in Melrose Park, Illinois from January 2010 to May 2012 and Alberto Culver's Vice President Commercial Finance-Americas, Asia Pacific and Africa from 2007 to January 2010.

Senior Vice President, Human Resources and Chief Human Resources Officer, Regis Corporation: Carmen Thiede

Ms. Thiede became Senior Vice President, Human Resources and Chief Human Resources Officer of Regis in October 2013. From October 2006 to October 2013, Ms. Thiede was Senior Vice President, Human Resources of Ameriprise Financial in Minneapolis, Minnesota.

Senior Vice President, Real Estate, Design and Construction, Regis Corporation: Kim Ellis

Ms. Ellis became Senior Vice President, Real Estate, Design and Construction of Regis in August 2011. She was the Executive Vice President, Restaurant Development of the Panda Restaurant Group in Rosemead, California from August 2006 through July 2011.

Senior Vice President, Franchise Division, Regis Corporation: Paul Plate

Mr. Plate has been Senior Vice President, Franchise Division of Regis since June 2011 and was Vice President, Finance of Regis from July 1994 to June 2011.

Senior Vice President, Supercuts Franchise Operations: Diane Calta

Ms. Calta was Vice President, Supercuts Operations from July 2004 to January 2007. From January 2007 to April 2013, she was Supercuts' Chief Operating Officer and, in May 2013, became Senior Vice President, Supercuts Franchise Operations.

Vice President, Franchise Salon Services, Regis Corporation: Courtney Roberts

Ms. Roberts has been Vice President, Franchise Salon Services of Regis since June 2007. She was Director of Franchise Product Sales from July 2001 to June 2007.

Vice President of Technical Education, Regis Corporation: James O'Regan

Mr. O'Regan has been Vice President of Technical Education of Regis since June 2012. He was President of Carlton Hair, located in Los Angeles, California, from 2002 to May 2012.

Vice President, Franchise Development, Regis Corporation: Kurt Landwehr

Mr. Landwehr became Vice President, Franchise Development of Regis Corporation in July 2011. Mr. Landwehr was President of Brandone Franchise Development, located in Plymouth, Minnesota, from December 2005 to June 2011.

Vice President, Law, Regis Corporation: Scott Sullivan

Mr. Sullivan joined Regis as an attorney in October 2003 and became its Vice President, Law in April 2007.

Director, Franchise Development, Regis Corporation: Jen Olson

Ms. Olson joined Regis as Director, Franchise Development in March 2012. She was the Director of Franchise Sales for Rhino Franchise Development Corporation in Apex, North Carolina from March 2011 to February 2012 and Senior Franchise Development Manager of Service Brands International in Ann Arbor, Michigan from February 2002 through February 2011.

Director, Franchise Development, Regis Corporation: Matt Dillon

Mr. Dillon joined Regis as Director, Franchise Development in July 2012. He was the Development Vice President for Rhino Franchise Development Corporation in Apex, North Carolina from September 2001 to June 2012.

Director, Franchise Development, Regis Corporation: Steve Marcus

Mr. Marcus joined Regis as Director, Franchise Development in June 2013. He was Vice President-Franchise Development for Always Best Care ABCSP Inc. in Roseville, California from April 2010 to June 2013, Franchise Development Director for Bright Star Franchising in Gurnee, Illinois from January 2009 to March 2010, and President of Franchise Development Inc. in Superior, Colorado from August 2007 to January 2009.

Director, Franchise Development, Regis Corporation: Karleen Hawkinson

Ms. Hawkinson rejoined Regis as Director, Franchise Development in March 2014. She was Director of Franchise Development for Elements Therapeutic Massage in Highlands Ranch, Colorado from April 2013 to February 2014, Director, Franchise Development for Regis in Minneapolis, Minnesota from January 2012 to March 2013, Senior Director of Franchise Development for BrightStar Franchising, LLC in Gurnee, Illinois from May 2010 to December 2011, and Franchise Acquisition Specialist for The Alternative Board in Westminster, Colorado from August 2001 to May 2010.

Director of Franchise Compliance, Supercuts: Patricia D. Kessler

Ms. Kessler has been Director of Franchise Compliance of Supercuts since July 1999. She has also been Director of Franchise Compliance for RPC Acquisition Corp. since May 2003, Director of Franchise

Compliance for Cutco Acquisition Corp. since March 2001, and Vice President of Franchise Compliance for The Barbers, Hairstyling for Men & Women, Inc. and We Care Hair, Inc. since 1997.

ITEM 3 **LITIGATION**

Allan Hair Restoration Enterprises, Inc., et al. v. HCM Industries, Inc., et al. (Case No. 50 2013 CA 004633 XXXX MB/AI, Circuit Court of the Fifteenth Judicial Circuit in and for the County of Palm Beach, Florida). On March 13, 2013, a group of Hair Club for Men franchisees filed a lawsuit against HCM Industries, Inc. (“HCMI”), which is the franchisor of the Hair Club franchise system, Regis Corporation, which is HCMI's former parent company and Supercuts' current parent company, as well as another defendant, alleging breach of contract, breach of the implied covenant of good faith and fair dealing, violation of the Florida deceptive and unfair trade practices act, tortious interference, and violation of the Florida antitrust act, and seeking an accounting of marketing and advertising funds and declaratory relief regarding the territorial protection in the Hair Club franchise agreements and an alleged hidden royalty fee through markups on products sold to Hair Club franchisees. The complaint relates primarily to Regis's sale of the Hair Club franchise system to a third party. On April 30, 2013, Regis filed a motion to dismiss the breach of contract claim in part and the breach of implied covenant of good faith and fair dealing, Florida deceptive and unfair trade practices act, tortious interference, Florida antitrust act, and declaratory judgment claims in full (along with a motion for more definite statement). A hearing on the motions was held on September 30, 2013. By Order dated October 10, 2013, the court denied the motion to dismiss the breach of contract, breach of implied covenant of good faith and fair dealing, and declaratory judgment claims; granted the motion to dismiss the Florida deceptive and unfair trade practices act claim without prejudice; denied the motion to dismiss the tortious interference and Florida antitrust act claims but granted the motion for a more definite statement as to those claims; and gave the plaintiffs 20 days within which to file an amended complaint. There has been no discovery in this case. Regis intends to defend against the plaintiffs' claims vigorously. This lawsuit does not relate to the SUPERCUTS system.

Other than this action, no litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcy information is required to be disclosed in this item.

ITEM 5 **INITIAL FEES**

Development Fees and Franchise Fees

The Development Fee and/or Franchise Fee that Supercuts charges you depends on whether you are a new or an existing franchisee and/or the date when you became a franchisee. Franchisees who became SUPERCUTS franchisees on or before September 29, 2011 pay lower initial fees for the additional franchises they acquire.

Unless you are signing a Franchise Agreement for a new SUPERCUTS Store to be developed under a previously-signed Development Agreement (in which case that Development Agreement identifies what, if any, additional fees you must pay when you sign the Franchise Agreement) or as a result of your exercise of Expansion Policy rights (see Items 11 and 12), Supercuts' current practice is to sign a

Development Agreement with all franchisees for each new franchise acquisition, even if the franchisee expects to develop only one Store. Supercuts currently grants single-Store development rights (the "Single Store Program") and 3-Store development rights (the "Fast Start Program"). If you acquire the right to develop just one SUPERCUTS Store, you will sign the Development Agreement and that Store's Franchise Agreement at the same time. If you acquire 3-Store development rights under the Fast Start Program, you will concurrently sign the Development Agreement and the Franchise Agreement for the first Store to be developed. You sign Supercuts' then current standard Franchise Agreement for each subsequent SUPERCUTS Store you open according to the Development Agreement.

You must pay Supercuts a Development Fee when you sign the Development Agreement. If you are a "new" franchisee, in the sense that you became a SUPERCUTS franchisee for the first time on or after September 30, 2011 or now are becoming a franchisee for the first time, the Development Fee you must pay for one-Store development under the Single Store Program currently is \$29,500. The Development Fee you must pay for a 3-Store development under the Fast Start Program currently is \$49,500. Development Fees are the only initial fees you must pay for the SUPERCUTS development/franchise rights. The Development Fee is full payment for your development/franchise rights, whether for one Store or 3 Stores. If you are such a "new" franchisee, Supercuts does not charge you any initial franchise fees for Stores to be developed under the Development Agreement.

The Development Fee you pay is not refundable under any circumstances. This means that if you decide not to move forward after signing Supercuts' Development Agreement (and the first Franchise Agreement), cannot find suitable sites for your Store(s), or otherwise fail to meet your Store opening requirements, in which case Supercuts terminates the applicable agreement(s), you do not receive back any of your Development Fee.

Unlike the Development Fees described above for franchisees who joined the SUPERCUTS system on or after September 30, 2011 or now are becoming a franchisee for the first time (*i.e.*, \$29,500 or \$49,500), franchisees who joined the SUPERCUTS system before September 30, 2011 pay a lower Development Fee per Store to be developed and also pay separate franchise fees (whether for Stores developed under a Development Agreement or Stores developed due to Expansion Policy rights). These "older" franchisees pay a \$5,000 per-Store Development Fee when they sign the Development Agreement (for example, \$15,000 for a 3-Store Development Agreement), with an additional per-Store Franchise Fee due when they sign the Franchise Agreement (if the Store location has been identified and secured) or Location Identification Amendment to Franchise Agreement (part of Exhibit B of this disclosure document) (if the Store location has not yet been identified and secured when the Franchise Agreement is signed). For franchisees who joined the system between July 1, 1999 and September 29, 2011, the total per-Store fee is \$12,500; \$5,000 is due when the Development Agreement is signed, and the remaining \$7,500 is due when the Franchise Agreement or Location Identification Amendment is signed. For franchisees in the system prior to July 1, 1999, the total per-Store fee is \$10,000; \$5,000 is due when the Development Agreement is signed, and the remaining \$5,000 is due when the Franchise Agreement or Location Identification Amendment is signed. These \$12,500 and \$10,000 per-Store fees, as applicable, also are due if the franchisee signs only a Franchise Agreement when it exercises its Expansion Policy rights. (No Development Agreement is signed in that situation.) These Development Fees and Franchise Fees are not refundable under any circumstances.

During Supercuts' 2013 fiscal year, Supercuts waived the initial franchisee fee for 4 franchisees who took advantage of an incentive program (no longer in effect) by opening at least 2 Stores during that fiscal year.

VetFran Program

Regis is a member of the International Franchise Association (“IFA”) and participates in IFA’s VetFran Program, which provides special financial incentives to qualified veterans. If you are a veteran of the United States armed forces, have been honorably discharged, otherwise meet the requirements of the IFA’s VetFran Program, and are acquiring your very first franchise of any Regis-owned brand, then you will receive a \$2,500 rebate on your initial fee after you open your first Store. This rebate opportunity is not available per brand but only on your first Regis brand franchise overall.

Grand Opening-Related Fees

New franchisees opening their first SUPERCUTS Store must pay Supercuts a \$2,500 Grand Opening Plan Assistance fee. This fee is a one-time investment to develop the Grand Opening Plan for your first SUPERCUTS Store. You will work with a dedicated Grand Opening Plan Director to customize the plan for your specific location and market. This fee is not collected on any subsequent SUPERCUTS stores you open. This payment is not refundable.

Besides the Grand Opening Plan Assistance fee, if you are a new or existing franchisee opening the first store in an SSA, you must pay Supercuts a Grand Opening Advertising fee of \$5,000 at least 90 days before you open your Store. Supercuts will hold this amount in a Grand Opening Advertising Account to pay for marketing your Store's Grand Opening. Once the grand opening has occurred, you may submit up to \$5,000 in marketing expenses for reimbursement by Supercuts. This payment is not refundable. While \$5,000 is the minimum amount Supercuts requires you to spend on grand opening advertising, Supercuts actually recommends that you spend at least \$10,000 to \$15,000 on grand opening advertising.

Referral Program

If a franchisee refers a new, prospective franchisee to Regis and that prospect ultimately purchases a franchise from Regis or an affiliate in the following 12 months, the referring franchisee will receive a referral gift Supercuts determines with a value of up to \$5,000 (which may include cash, a trip to the annual franchise convention, or some other award Supercuts determines). Supercuts may change the amount and type of award, end or change this practice, or impose rules or conditions at any time. Supercuts does not expect the referring franchisee to be involved in the sales process. Rather, the referring franchisee merely refers the name of an interested prospective franchisee to Supercuts.

Hairstylists Academy

All new SUPERCUTS stylists must attend a hairstylists academy training course/certification. The basic fee for each stylist is presently \$220 for a 5-day course (this fee will be \$225 per stylist beginning January 1, 2014). The training fee will increase every 5 years, commencing January 1, 2007, by the Consumer Price Index (“CPI”) increase for the 5-year period plus 1%. You must pay all related costs, including travel, lodging, meals, and wages associated with your and your employees’ attendance at the training course. Because you are expected to open each Store with 6 to 8 stylists, your total training fee will run from \$1,200 to \$1,600. This training fee is not refundable.

Sublease

You generally must sublease your Store's location from Supercuts. Monthly rent is estimated to range from \$2,000 to \$6,000 depending on premises size, condition, and location. You typically must pay the first and last month’s rent when you sign the Sublease; a security deposit of approximately one month’s rent also may be required. Except for the security deposit, these payments are not refundable.

Initial Inventory

You must purchase an initial inventory of professional hair care products and gift cards for your SUPERCUTS Store. You may purchase all or some of the hair care products from Regis, as described in more detail in Item 8. You must buy the gift cards from Regis. Initial inventory costs for these items range from \$5,000 to \$10,000; payment is due within 30 days after you receive the invoice. This payment is not refundable.

Store FF&E Coordination Services and Construction Management Services

Regis is an approved supplier of certain FF&E coordination services and Store construction management services relating to your Store's development and build-out. The FF&E coordination services involve Regis ordering on your behalf furniture, fixtures, and equipment for your Store and coordinating delivery, and consulting with you regarding the unloading, initial inspection, and acceptance, of all of the furniture, fixtures, and equipment on the Store's approved construction documents. These FF&E coordination services are intended to streamline that aspect of the Store development process. If you want to use Regis's FF&E coordination services, you must sign Regis's Construction Management Services Agreement (Exhibit M). Regis will order the FF&E required for your Store and coordinate the suppliers' invoices to you for this FF&E. You must pay Regis the amounts the suppliers charge for the FF&E, plus shipping and handling, and Regis will coordinate payment of the suppliers for that FF&E. The total cost of this FF&E is estimated to range from \$25,000 to \$40,000 depending on your Store's size. This payment is not refundable.

The Store construction management services include the FF&E coordination services described above plus various consulting services regarding construction estimates; construction-related lease requirements; sign package requirements and the sign review/approval process; utilities set-up; general contractor bidding and selection (you select the general contractor); obtaining building permits; site conditions and work progress; FF&E operation, maintenance, and trouble-shooting; producing a punch-list of open issues; construction warranty work; and obtaining occupancy approval. You must pay Regis \$5,000 for the Store construction management services when you sign its Construction Management Services Agreement (Exhibit M). This \$5,000 fee is in addition to the amounts described in the previous paragraph that you must pay for FF&E plus shipping and handling. These payments are not refundable. While Regis provides consulting services in these various areas if you sign its Construction Management Services Agreement, you alone are responsible for all fees, costs, and expenses associated with the Store's development and build-out, including plans and specifications, permits, licenses, construction and materials, FF&E, installation, and insurance.

Purchase of Supercuts-Owned Store or Affiliated Branded Salon for Conversion

If you choose to buy the assets of an existing SUPERCUTS Store from Supercuts' subsidiary or an existing affiliated branded salon for conversion to a SUPERCUTS Store (in each case to operate the Store as a SUPERCUTS franchise going-forward), you will sign the Asset Purchase Agreement with Supercuts' subsidiary or other affiliate, as applicable, when you sign the Franchise Agreement and Sublease with Supercuts. You will pay the subsidiary or other affiliate the applicable purchase price at the same time. Purchase prices for company-owned Stores (or, if applicable, affiliated branded salons) will depend on their age, location, condition, profitability, cash flow, strategic considerations, and other relevant market factors. If you are interested in purchasing a particular company-owned Store or affiliated branded salon, then Supercuts and its subsidiary (or the applicable affiliate) and you will negotiate the appropriate purchase price. The purchase price is not refundable once paid. The amounts that Supercuts' subsidiary received during the 2013 fiscal year (ended June 30, 2013) for selling company-owned SUPERCUTS

Stores to franchisees ranged from \$0 to \$90,000. The amounts that Supercuts' affiliates received during the 2013 fiscal year (ended June 30, 2013) for selling affiliated branded salons to Supercuts' franchisees for conversion to SUPERCUTS Stores ranged up to \$37,500.

If you buy an existing company-owned SUPERCUTS Store or an existing affiliated branded salon for conversion to a SUPERCUTS Store, you will incur certain costs to upgrade or convert the location to Supercuts' then current standards. You will have 90 days after closing to complete the conversion process. If the location does not meet Supercuts' then current standards, Regis or Supercuts may correct the deficiencies at your expense.

In all cases when you buy the assets of an existing SUPERCUTS Store or an existing affiliated branded salon for conversion to a SUPERCUTS Store, that Store will count as one of the Stores to be developed under your Development Agreement.

ITEM 6
OTHER FEES

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fees	For new Stores, combined service and merchandise royalty fee is 4% of combined net service revenue and net merchandise revenue from opening date until first-year anniversary. From first-year anniversary until the Franchise Agreement expires or is terminated, royalty fee is 6% of combined net service revenue and net merchandise revenue.	Payable monthly on or before 10th day of each month for revenue during preceding calendar month. You must pay all amounts due by electronic transfer.	See Note 2
Advertising Fees	5% of net monthly service revenue (<i>i.e.</i> , excluding merchandise sales) with a potential rebate if 75% of Stores in specific SSA vote in favor of rebate (this process is described in more detail in Item 11)	Same as Royalty fee	See Note 3

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Product and Service Purchases	See Item 8	As incurred	You will buy products and services necessary to operate your Store from Supercuts' affiliates, designated and approved vendors whose items and services meet Supercuts' standards and specifications and/or other suppliers to the industry. Prices depend on supplier and item/service involved.
Hairstylists Academy (HSA) Additional Training	\$220 (for 5 days) per each new stylist at Supercuts' discretion (fee will be \$225 beginning January 1, 2014); training fee will increase every 5 years, commencing January 1, 2007, by the Consumer Price Index ("CPI") increase for the 5-year period plus 1%.	Prior to training	
Managers' Training Course	A portion of the cost of facilities, materials, and audio-visual equipment for training related to duties. In Supercuts' most recent fiscal year, the cost ranged from \$54 to \$290 per attendee.	Prior to training	See Items 8 and 11; Supercuts may increase this charge as the costs increase.

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks												
Anniversary Fee (essentially a "renewal" fee)	1% of total net monthly revenues for 12 full months immediately preceding first 10-year anniversary. For each 10-year anniversary thereafter, 2% of total net monthly revenues for 12 full months immediately preceding such anniversary date.	Within 30 days after each 10-year anniversary of opening date	See Notes 2 and 4												
Transfer Fee	<table border="0"> <tr> <td>1 store</td> <td>\$2,500</td> </tr> <tr> <td>2 stores</td> <td>\$4,500</td> </tr> <tr> <td>3 stores</td> <td>\$6,000</td> </tr> <tr> <td>4 stores</td> <td>\$7,000</td> </tr> <tr> <td>5 stores</td> <td>\$7,500</td> </tr> <tr> <td>Each store after is</td> <td>\$ 500</td> </tr> </table>	1 store	\$2,500	2 stores	\$4,500	3 stores	\$6,000	4 stores	\$7,000	5 stores	\$7,500	Each store after is	\$ 500	At least 30 days before transfer's effective date	In addition to transfer fee, if the prospective franchisee is a new franchisee, he must attend Supercuts' mandatory training course for initial franchisees.
1 store	\$2,500														
2 stores	\$4,500														
3 stores	\$6,000														
4 stores	\$7,000														
5 stores	\$7,500														
Each store after is	\$ 500														
Sublease Payments	\$2,000 - \$6,000 per month	Monthly at least 10 days before date Supercuts must pay rent to landlord or, if Supercuts requires you to pay rent directly to landlord, on or before due date	See Note 5												
Lease Defaults	Varies under circumstances and depends on nature of default	As incurred	You must reimburse Supercuts if it must cure your lease defaults.												

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Audits	All unpaid fees, cost of audit, plus interest at highest allowable rate not to exceed 18% per annum from date due	Immediately after receipt of audit report	Audits are conducted at Supercuts' expense unless an audit discloses an understatement of 2% or more of your gross revenues for any period(s), in which case you must reimburse Supercuts for the audit costs, including the charges of any independent accountant and the travel expenses, room, board, and compensation of Supercuts' employees or agents.
Late Payments / Interest	18% per annum minimum, not to exceed highest applicable commercial contract rate under applicable state and/or federal law	Due dates as stated in applicable agreement	If any amounts due to Supercuts or its affiliates are not paid when due.
Modernization	\$35,000 adjusted for inflation (not to exceed 2% per year) for capital improvements to modernize and update Store location [Note: \$35,000 might not represent the entire costs of a complete remodeling; this covers only updating the décor and partial remodeling]	Every 10 years. Supercuts may require that 25% be spent before end of seventh year	See Note 6

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Gift Card Transactions	\$45 per download software download fee and \$15 per terminal annual software maintenance fee (both if you supply your own terminal device); per transaction fees range from \$.0225 to \$.07; non-sufficient funds recovery fee of \$.05 per card	As incurred and/or per transaction	See Item 8 (you buy cards from Regis and pay Regis the NSF fee; other payments are made to third-party vendor)
Indemnification	Varies under circumstances and depends on nature of claim (see Note 7)	As incurred	You must reimburse Supercuts and its affiliates if they are held liable for claims from your Store's operation or incur costs to defend them (when they are not at fault), including any of your attempts to raise money in a public or private stock offering.
Maintenance Cost Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse Supercuts' costs for correcting your Store's sub-standard appearance or condition.
Costs and Attorneys' Fees	Varies under circumstances and depends on nature of your non-compliance (see Note 8)	As incurred	Due when Supercuts incurs costs and expenses to enforce Franchise Agreement against you in a legal proceeding and is the prevailing party.

NOTES:

- (1) Unless otherwise provided, all fees are (a) imposed and collected by, and payable to, Supercuts and (b) non-refundable. All fees currently are uniformly imposed. Increases in fees and costs are possible.
- (2) Net revenue includes all cash and charge sales of every kind and nature made at or from your Store, less all sales, use, gross receipt, and other similar taxes added to the sales price and collected from the customer and less any bona fide refunds. Service revenues include sales of every kind for services performed by a hair stylist or other professional for a customer. Merchandise revenues include sales of every kind for retail merchandise.
- (3) In order to promote Store openings in new or underdeveloped markets, Supercuts may contribute funds in an amount it determines toward your purchase of advertising. Among other conditions that might apply, Supercuts may require you to match the funds it contributes or pay other amounts toward the purchase of advertising to promote the new Store. Expenses for premium items to be sold or given away as promotions may not exceed \$800 per Store opening.
- (4) Commencing on the 10th anniversary of your Store's opening date, and every 10 years afterward during the franchise term ("Anniversary Date"), Supercuts will, upon written notice to you, assess an "Anniversary Fee" (which is basically a "renewal" fee). The Anniversary Fee initially will equal 1% of your cumulative net monthly revenue for the trailing 12 months before the anniversary month. The Anniversary Fee is payable in equal annual installments over 5 years. The first Anniversary Fee payment will be assessed on the first day of the month following your Anniversary Date. It is due and payable by the 10th day of the month following your Anniversary Date. (For example, if your Anniversary Date is in June, the Anniversary Fee will be based on the cumulative net monthly revenues for the 12 months ending May 31st prior to the Anniversary Date. Your first installment will be assessed on July 1st and is due and payable by July 10th.) The Anniversary Fee will be increased to 2% of cumulative net monthly revenues for each subsequent 10-year period. The Anniversary Fee assessed will never exceed 2% of the applicable 12 months' cumulative net monthly revenue during your franchise term. If the Store is closed on or after the Anniversary Date, no future installment payments will be due after the closing date. Supercuts' failure to notify you of the Anniversary Fee is not a waiver of its right to do so.
- (5) You typically will sublease your Store location from Supercuts. These payments will fluctuate depending on prevailing market conditions, the amount that Supercuts or you pay to any owner or master sublessor, and any additional expenses Supercuts incurs to sublease the location to you. Supercuts does not intend to charge you more than its actual cost of leasing or subleasing the location.
- (6) The modernization requirement commences on the Store's opening date, with 25% having to be spent before the end of the 7th year from the Store's opening date and 100% before the end of the 10th year from the Store's opening date (and then by each 10th anniversary thereafter). You must remodel your Store to meet Supercuts' then current approved design standards for SUPERCUTS Stores. Supercuts may require you to submit proof (*e.g.*, photographs) that the modernization has been timely completed.
- (7) You have a similar indemnification obligation under the Development Agreement.

- (8) There is no "prevailing party" standard under the Development Agreement. Under the Development Agreement, you must pay Supercuts' costs and expenses to enforce the Development Agreement against you, whether or not Supercuts begins a formal legal proceeding.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Development Fee/Franchise Fee	\$10,000 - \$29,500	Lump Sum	(Note 1)	Supercuts
Leasehold Improvements	\$40,000 - \$70,000	(Note 2)	(Note 2)	(Note 2)
Furniture, Fixtures & Equipment	\$25,000 - \$40,000	Lump Sum	Before Opening	Independent Suppliers or Regis (Note 2)
Construction Management Services Fee	\$0 - \$5,000	Lump Sum	Upon Signing Construction Management Services Agreement	Regis (Note 2)
Computer Terminal/ Software (Point of Sale System)	\$0 - \$5,500	Lump Sum	Before and After Opening	Suppliers (Note 2)
Opening Inventory	\$5,000 - \$10,000	Lump Sum (30 day net terms)	Before Opening	Regis / Independent Suppliers
Hairstylists Academy (HSA) Training Fees (for 6 to 8 people)	\$1,200 - \$1,600	Lump Sum	As incurred	Supercuts
Travel and Living Expenses during Training	\$2,050 - \$4,500	As incurred	As incurred	Transportation Lines, Hotels, Restaurants, etc.
One Month's Rent and Security Deposit	\$4,000 - \$12,000	(Note 3)	(Note 3)	(Note 3)
Grand Opening Plan Assistance	\$2,500	Lump Sum	As incurred	Supercuts (Note 4)
Grand Opening Advertising Expenses	\$5,000 - \$15,000	Lump Sum	(Note 5)	Supercuts
Signs	\$4,000 - 8,000	Lump Sum	Delivery	Independent Suppliers
Additional Funds (3 months)	\$15,000 - \$30,000 (Note 6)	As Incurred	As Incurred	Employees, Supercuts, Regis, Suppliers, and Vendors

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Estimated initial investment (including initial lease costs) (Note 7)	\$113,750 - \$233,600			

- Except for the security deposit for the Store's premises, no expenditure in this table is refundable.
- The table above assumes that you will develop a new SUPERCUTS Store. However, if you choose to buy the assets of an existing SUPERCUTS Store from Supercuts' subsidiary or an existing affiliated branded salon for conversion to a SUPERCUTS Store (in each case to operate the Store as a SUPERCUTS franchise going-forward), the purchase price will depend on age, location, condition, profitability, cash flow, strategic considerations, and other relevant market factors. If you are interested in purchasing a particular company-owned Store or affiliated branded salon, then Supercuts and its subsidiary (or the applicable affiliate) and you will negotiate the appropriate purchase price. During the fiscal year ended June 30, 2013, the highest purchase price paid by a franchisee for an existing company-owned SUPERCUTS Store (acquired to be operated as a franchise) was \$90,000, and the highest purchase price paid by a franchisee for an affiliated branded salon for conversion to a SUPERCUTS Store (acquired to be operated as a franchise) was \$37,500. Purchase prices might include upgrading or conversion costs.

NOTES:

- (1) Item 5 discloses the applicable development fees and franchise fees.
- (2) You must make certain modifications and leasehold improvements to your Store's premises according to Supercuts' Architectural Design Manual. Supercuts must approve all plans and specifications, which must be prepared by a firm Supercuts approves. You must strictly comply with the Architectural Design Manual and approved plans and specifications. Supercuts anticipates that leasehold improvement costs, including architectural fees, will be between \$40,000 and \$70,000 for a 900 to 1,200 square foot Store, depending upon the Store's exact size, its geographic location, if your landlord assumes some of the build-out costs in the form of either cash or free rent, the cost of construction materials such as steel, drywall, and flooring, and structural components and overall condition of the premises. Your costs for the computerized point-of-sale system's computer hardware and software include installation costs and will depend on the specific type of hardware acquired, geographic location, and other economic factors. If you want Regis to supervise and oversee your Store's construction process, you must pay Regis a \$5,000 fee when you sign its Construction Management Services Agreement. You also must pay for the Store FF&E that Regis arranges for you to purchase, plus shipping and handling (Regis's coordination of your purchase of the Store FF&E is included in its full construction management services). You also must pay for the Store FF&E that Regis arranges for you to purchase, plus shipping and handling, if you use Regis's FF&E coordination services but not its full construction management services.
- (3) You typically will sublease your Store's premises from Supercuts. The cost of the leased premises depends on the amount Supercuts paid to purchase the property, the amount Supercuts paid to any owner and/or master sublessor, or the amount you paid to any owner, plus any other expenses Supercuts incurs as a result of its ownership and/or leasing of the premises. The lease's exact cost

depends upon location, building size, condition, related taxes, utility charges, and other expenses related directly to the premises. Typical franchise locations are 900 to 1,200 square feet, include 6 to 8 workstations, and are located in large retail developments and heavily populated business areas. Rent is estimated to be between \$2,000 and \$6,000 per month. Prepaid rents due when the lease is signed are generally required and typically are first and last months' rent. A security deposit approximately equal to one month's rent also might be required.

- (4) New franchisees opening their first SUPERCUTS Store must pay Supercuts the Grand Opening Plan Assistance fee. This fee is a one-time investment to develop the Grand Opening Plan for your first SUPERCUTS Store. You will work with a dedicated Grand Opening Plan Director to customize the plan for your specific location and market. This fee is not collected on any subsequent SUPERCUTS Stores you open.
- (5) Grand opening advertising expenses are \$5,000 per Store opening and are contractually required for both new and existing franchisees opening a first Store in an SSA. You may decide, based on your market conditions, that spending more than \$5,000 on grand opening advertising is necessary to produce an effective grand opening. Supercuts recommends that you spend between \$10,000 and \$15,000 on grand opening advertising expenses. Any advertising specialty product sold or given away to consumers to generate business ("premium" items) may be expensed from the Grand Opening Account in an amount not to exceed \$800 per Store opening. Supercuts must pre-approve all Grand Opening marketing materials and plans that you intend to use for your Store's grand opening.
- (6) This estimates the funds needed to cover your initial expenses for the first 3 months of operation (besides the items identified separately in the table). It includes payroll costs but not any owner's draw or salary. However, this is only an estimate, and you might need additional working capital during the Store's first 3 months of operation and for a longer time period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Store will break even. Supercuts cannot guarantee when or if your Store will break even. Your costs will depend on how much you follow Supercuts' methods and procedures; your management skill, experience, and business acumen; local economic conditions; the prevailing wage rate; competition; and your Store's sales during the initial period. Supercuts' relied on its approximately 26 years of experience developing, operating, and franchising SUPERCUTS Stores to compile this Additional Funds estimate.
- (7) You should review these figures carefully with a business advisor before deciding to acquire the franchise. Except as described in Item 10, Supercuts does not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. Supercuts recommends that you use these categories and estimates as a guide for your own budget and investigate specific costs in your area.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

You typically must lease your Store's location directly from Supercuts under a Sublease (Exhibit C to this disclosure document). (See Items 5, 6, 7, and 10). Supercuts generates no revenue from leasing and/or

subleasing the premises to you. Your lease payments (to the extent Supercuts collects them and does not have you pay the landlord directly) are pass-throughs of the amounts due under the lease. The required first and last months' rent and security deposit represent approximately 5%-8% of your total cost to establish your Store. Your monthly lease payment will normally represent approximately 8%-20% of your total monthly operating expenses.

You must honor all terms and conditions of any customer relations, warranty, promotional, loyalty, gift certificate, gift card, or similar programs (the "Programs") agreed to by the Supercuts Council for the SUPERCUTS franchise system and pay any costs associated with participating in the Programs (see Item 6). Supercuts' currently-effective Gift Card Participation Agreement is Exhibit J to this disclosure document. You must buy the gift cards from Regis.

You need not purchase or lease from Supercuts or its designees any other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your Store.

A number of Supercuts' officers disclosed in Item 2 own an interest in Regis Corporation, Supercuts' publicly-traded parent company that is an approved (but not designated) supplier of (1) construction management services and FF&E coordination services for your Store's development and build-out and (2) some of the hair care products your Store will sell. However, these officers have no ownership interest in any other approved suppliers.

You must operate your Store in strict conformity with Supercuts' standards, specifications, lease requirements, and instructions, including the computerized point-of-sale cash register, franchise back-office system, and telephone modem Supercuts specifies. You may purchase or rent the hardware and software for the specified computerized point-of-sale cash register system and franchise back-office software from a company that Supercuts has authorized (see Items 10 and 11) or purchase similar systems from an unrelated company with comparable hardware and software meeting Supercuts' specifications and approved by Supercuts.

You may purchase products containing the SUPERCUTS Marks, such as graphics, stationery and in-Store collateral, from a supplier that Supercuts already has approved or from an unrelated company if its products meet all of Supercuts' specifications. Regis also might be an approved supplier of these items.

You must make all leasehold improvements required by Supercuts and the lease and sublease, all of which must conform to designs, plans, and specifications that Supercuts approves in writing. You may engage one of the 2 firms Supercuts approves to prepare the Store's plans, specifications, and architectural drawings. If you elect to use others to prepare plans, specifications, and drawings, Supercuts must pre-approve them. Subject to compliance with the plans and specifications Supercuts approves, you may purchase all required fixtures, furnishings, and equipment from independent suppliers. These items generally are standard and available through 2 or more sources. As described in Items 5 and 7, Regis also is an approved (but not designated) supplier of construction management services and FF&E coordination services. If you choose to use its construction management services, you must pay Regis a flat fee for its construction management services, plus the price for your Store's FF&E and the shipping and handling costs for the FF&E. If you use only Regis's FF&E coordination services, you must pay only the price the suppliers charge you for your Store's FF&E, plus shipping and handling for the FF&E.

You must install an exterior sign at the premises complying with plans and specifications Supercuts approves. The sign also must comply with all local zoning and other restrictions. You may purchase or lease original and replacement signs and supplies meeting the specifications from any source.

You must display and sell at the Store a limited line of professional hair care products and provide only approved services. Products may include shampoos, hair conditioners, and related hair care products; the services will be as stated in the Operations Manual or otherwise in writing. You must conform to the common image and identity created by the products and services associated with SUPERCUTS Stores and conform to all changes and modifications in the system Supercuts specifies. You may not sell or display items such as wigs, hairpieces, permanent or semi-permanent hair dyes or coloring products, permanent wave products, or other products not directly related to hair care. You must obtain Supercuts' consent before selling any line of hair care product. Supercuts will not unreasonably withhold its consent. You may purchase approved products from any reputable supplier, distributor, or wholesaler, including Regis, as described below. Supercuts issues and modifies specifications or gives and revokes approval of suppliers through its Operations Manual or otherwise in writing. You may not give, barter, divert, or sell any hair care product other than directly to the end user customer from the Store's physical location. You may not sell any hair care products through any other distribution channels (including the Internet) or to any reseller.

Supercuts formulates specifications and standards based on its experience and by consulting with knowledgeable resource people. Supercuts does not issue specifications and standards to franchisee suppliers. Supercuts' criteria for supplier approval are based on product quality, reputation, and price and will be made available to franchisees upon request. Supercuts does not charge for approving new suppliers requested by franchisees. The time period for approving a new supplier is approximately 2 weeks.

Supercuts' parent company, Regis, provides selected hair care products and supplies satisfying Supercuts' standards. You may, but need not, purchase the selected items from Regis. Regis will charge prices in excess of its cost of purchasing the selected items. In the fiscal year ended June 30, 2013, Regis' total revenue from selling selected hair care products and supplies to SUPERCUTS franchisees was \$12,613,658. This information is from Regis' internal records.

You must carry combined single-limit liability and property insurance, including "all risk" buildings and contents insurance (including replacement cost and plate glass provisions) for all leased or owned property and general liability insurance (including premises operations, products, professional malpractice, and personal injury). The policies may not contain any provision precluding coverage for suits or claims brought by an additional insured against a named insured. The general liability coverage must provide for a total combined single-limit for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate. This limit may be obtained through combining primary commercial general liability and excess/umbrella policies. You must carry automobile insurance (including owned, hired or leased, non-ownership, medical payments, and uninsured motorist) with a combined single-limit for bodily injury and property damage of at least \$1,000,000 per accident. The limit may be provided through a combination of primary and umbrella/excess liability policies. You must have an all-inclusive standard umbrella policy of at least \$2,000,000 and/or excess liability policies used to comply with the general liability and/or automobile liability limits shown above and warranted to be excess of limits provided by primary general liability, automobile, and employer's liability. Umbrella and/or excess liability policies used to comply with general liability and/or automobile liability limits shown above must include additional insureds. You must have Worker's Compensation or its equivalent and Employer's Liability insurance as required by state law.

The non-lease purchases and leases described above are close to 100% of your overall purchases and leases to establish and then operate your Store. As noted above, Supercuts does not mark up its leases. Supercuts makes no revenue from your purchases or leases. Regis receives rebates from FF&E suppliers, ranging from 2% to 10% of all franchisees' FF&E purchases, on account of the FF&E coordination

services described earlier in this disclosure document. Supercuts receives no payments from suppliers because of their transactions with franchisees and, except for the point of sale/computer system described in Items 10 and 11, does not negotiate any purchase arrangements with suppliers. There are no purchasing or distribution cooperatives. Supercuts does not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

Development Agreement

The Development Agreement generally does not require you to buy or lease from Supercuts (or its affiliates), its designees, or approved suppliers, or according to Supercuts' specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items. You must give Supercuts information and materials it requests concerning each site at which you propose to operate a Store so Supercuts can assess that site.

ITEM 9
FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	2.01, 3.01, 5.01, and 5.03 of Franchise Agreement, 5 of Development Agreement, and Sublease	5, 6, 7, and 11
b. Pre-opening purchases/leases	5.02, 5.03, and 8.05 of Franchise Agreement, Asset Purchase Agreement, and Construction Management Services Agreement	5, 6, and 8
c. Site development and other pre-opening requirements	4.02, 4.06, and 5.02 of Franchise Agreement and Construction Management Services Agreement	5, 7, 8, and 11
d. Initial and ongoing training	6 and 8.04 of Franchise Agreement	11
e. Opening	4.06 of Franchise Agreement	11
f. Fees	4.01, 4.02, 4.03, 4.04, 4.05, 4.06, 4.08, 4.09, 5.09, 6.05, 6.08, 9.04, 10.03, and 11.02 of Franchise Agreement, 6 and 13.J. of Development Agreement, 4 of Sublease, 1.2, 1.3, and 1.6 of Asset Purchase Agreement, 1, 2, 3, 4, 5, 9, and Exhibit B of Gift Card Participation Agreement, and 3 and 4 of Construction Management Services Agreement	5 and 6

Obligation	Section in agreement	Disclosure document item
g. Compliance with standards and policies/operating manual	7, 8.03, 8.07, 8.09, and 8.11 of Franchise Agreement	8 and 11
h. Trademarks and proprietary information	1.03, 2.02, 2.03, 2.09, and 8.03 of Franchise Agreement and 7 and 8 of Development Agreement	13 and 14
i. Restrictions on products/services offered	8.05 and 8.06 of Franchise Agreement	8 and 16
j. Warranty and customer service requirements	Not Applicable	11 and 15
k. Territorial development and sales quotas	3, 4, 5, and 6 of Development Agreement	12
l. Ongoing product/service purchases	8.05 and 8.06 of Franchise Agreement	8
m. Maintenance, appearance, and remodeling requirements	5.04 and 5.05 of Franchise Agreement	8
n. Insurance	11.01 and 11.02 of Franchise Agreement	7 and 8
o. Advertising	4.05, 4.06, and 8.08 of Franchise Agreement	6, 8, and 11
p. Indemnification	5.06 and 11.02 of Franchise Agreement, 14 of Development Agreement, 6 of Sublease, and 1.5 of Asset Purchase Agreement	6
q. Owner's participation/management/staffing	8.01 and 8.04 of Franchise Agreement and 9 of Development Agreement	11 and 15
r. Records and reports	9 of Franchise Agreement	6
s. Inspections and audits	2.10 and 9.04 of Franchise Agreement	6, 8, and 11
t. Transfer	2.05 and 10 of Franchise Agreement, 12 of Development Agreement, 9 of Sublease, and 11 of Gift Card Participation Agreement	17
u. Renewal	3.01 of Franchise Agreement and 3.D. of Development Agreement	17
v. Post-termination obligations	13.02, 13.03, 13.04, and 13.05 of Franchise Agreement	17
w. Non-competition covenants	2.07, 2.08, and 15.10 of Franchise Agreement and 7 and 11 of Development Agreement	17

Obligation	Section in agreement	Disclosure document item
x. Dispute resolution	13.06, 13.08, 13.09, 13.10, and 15.02 of Franchise Agreement, 13.C., E, F, I, and K of Development Agreement, and 13 (or 14) of Asset Purchase Agreement	6 and 17
y. Other: 1. Licenses 2. Rents	8.09 and 14.01 of Franchise Agreement	6 6 and 11
z. Participation in Gift Card Program	8.11 of Franchise Agreement and Gift Card Participation Agreement	6 and 11

ITEM 10 **FINANCING**

Except as described below, Supercuts does not offer direct or indirect financing or guarantee your note, lease, or obligation.

Sublease

In virtually all cases, you must sublease your Store's premises directly from Supercuts, which will sign the "master lease" with the landlord. Supercuts' template Sublease appears in Exhibit C. The Sublease's term begins when the master lease begins and expires one minute before the master lease expires. (Sublease—Section 3) You must pay Supercuts, as rent and other tenant charges, the same rent and other charges that Supercuts must pay the landlord under the master lease. You must pay Supercuts those amounts at least 10 days before Supercuts must pay the landlord, although Supercuts may, instead, require you to pay these amounts directly to the landlord. (Sublease—Sections 4 and 12) Because the master lease's terms are fully incorporated into the Sublease, you must fully comply with all obligations of the "tenant" under the master lease as if you had signed it directly. (Sublease—Sections 5 and 6) You must indemnify Supercuts against any claims arising from your failure to do so. In addition, your failure allows Supercuts to perform the obligations for you, in which case you must reimburse Supercuts as appropriate, or to terminate the Sublease. (Sublease—Section 6)

Supercuts does not assume the landlord's obligations under the master lease, meaning that you cannot hold Supercuts responsible for the landlord's non-performance. However, because of the Sublease with you, Supercuts may enforce the landlord's rights under the master lease. (Sublease—7) You may not assign the Sublease without Supercuts' prior consent (Sublease—Section 9) Your breach of the Franchise Agreement is also considered a breach of the Sublease. Termination of the Franchise Agreement for any reason also terminates the Sublease (at Supercuts' election). The defaulting party is liable to the non-defaulting party for all of its damages due to the Sublease's termination. (Sublease—Section 11) Termination of the master lease also terminates the Sublease. (Sublease—Section 14) Your owners (if you are an entity) must guarantee your performance under the Sublease.

Point of Sale System Rental Agreement

Supercuts has a written arrangement with Rogers Software Development, Inc. ("Rogers") by which Rogers, an unaffiliated company, leases you the Store's point-of-sale system (hardware and software). You and Rogers will sign a separate POS System Rental Agreement (the current version of which is

Exhibit I) (the "Rental Agreement"), which runs for one year. (Section 2 of Rental Agreement) You pay Rogers an initial down-payment of the annual rent for the hardware and then 12 equal monthly installments for the balance (on the 1st day of each month) by automatic debit or credit card charge. You also pay a monthly software maintenance fee. The total annual costs to rent the hardware and software for the currently-designated computerized point of sale system and franchise back-office software for the first year is approximately \$5,489. During the second and each later year, the monthly fee is \$50, whether you purchase or lease the point of sale system. These fees are subject to change. There are no discounts for advance payment, and you must pay a processing fee for late payments. (Section 3 of Rental Agreement) Rogers retains ownership of the POS system during the lease term, and you must sign any financing-related documents for Rogers to preserve its ownership rights. However, at the end of the Rental Agreement's term, you may purchase the hardware for a nominal amount if you made all required payments during the lease term. (Section 4 of Rental Agreement)

You must keep the POS system in good working order at your own cost and are responsible for all loss and damage. (Section 10 of Rental Agreement) You may not move the system to a different location without Rogers' consent. (Section 9 of Rental Agreement) Except for the one-year hardware warranty, Rogers disclaims all warranties. (Section 12 of Rental Agreement) It also disclaims responsibility for any indirect, special and/or consequential damages. (Section 13 of Rental Agreement) You must insure the hardware for at least its replacement value and must indemnify Rogers for all liability arising from your use of the system (unless caused by Rogers' sole negligence or breach of warranty. (Section 15 of Rental Agreement)

Rental Agreement defaults include failure to pay rent when due, or to comply with other contractual obligations, and to cure the default within 30 days, bankruptcy and other financial insolvency conditions, and unauthorized transfer or encumbrance of the system. (Section 16 of Rental Agreement) If you default, Rogers may terminate the Rental Agreement, sue to require performance, enter your Store and repossess the system (and then sell it to recoup the amounts owed), and accelerate all amounts due under the Rental Agreement. You are responsible for all attorneys' fees and related enforcement costs and waive any setoff rights or counterclaims against Rogers. (Section 17 of Rental Agreement) While a default under the Rental Agreement is not a formal default under the Franchise Agreement, you need the POS system to operate your Store properly; if you do not operate your Store in compliance with Supercuts' requirements, that would be a separate operational default under the Franchise Agreement for which Supercuts could take action.

Rogers may assign the Rental Agreement without restriction, in which case your continuing contractual obligations are not subject to any defense, setoff, or counterclaim against Rogers. You may not assign the Rental Agreement or transfer the system without Rogers' prior written consent. (Section 19 of Rental Agreement) Your owners must personally guarantee performance under the Rental Agreement. (Section 21 of Rental Agreement)

Supercuts does not sell, assign, or discount to a third party all or part of any financing arrangement. Neither Supercuts nor any of its affiliates receives any consideration from Rogers due to the arrangement.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS
AND TRAINING

Except as listed below, SUPERCUTS is not required to provide you with any assistance.

Development Agreement

Supercuts grants franchises for the operation of SUPERCUTS Stores located within SSAs. Unless you are signing a Franchise Agreement for a new SUPERCUTS Store to be developed under a previously-signed Development Agreement or as a result of your exercise of Expansion Policy rights, Supercuts' current practice is to sign a Development Agreement with all franchisees for each new franchise acquisition in an SSA, even if the franchisee expects to develop only one Store. If you acquire the right to develop just one SUPERCUTS Store, you will sign the Development Agreement and that Store's Franchise Agreement at the same time. If you acquire 3-Store development rights under the Fast Start Program, you will concurrently sign the Development Agreement and the Franchise Agreement for the first Store to be developed. You then will look for your first location. (You will sign Supercuts' Sublease when the Store's site is found and secured. You and Supercuts also will sign the Location Identification Amendment to Franchise Agreement at that time.) You sign Supercuts' then current standard Franchise Agreement and Sublease for each subsequent SUPERCUTS Store you open according to the Development Agreement.

You must send Supercuts a complete site report (containing the demographic, commercial, and other information and photographs Supercuts reasonably requires) for each site at which you propose to establish and operate a SUPERCUTS Store and which you reasonably believe to conform to site selection criteria Supercuts periodically establishes. The proposed site is subject to Supercuts' prior written approval, which it will not unreasonably withhold. Supercuts may, but has no obligation to, physically visit one or more of your proposed sites. Supercuts may condition its site visits on your first sending the complete site reports and other materials Supercuts requests, as provided above. In approving or disapproving a proposed site, Supercuts considers various matters, including demographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other haircutting establishments, the proximity to other businesses (including other SUPERCUTS Stores), the nature of other businesses in proximity to the site, other commercial characteristics (including the purchase price or rental obligations and other lease terms for the proposed site), and the size of premises, appearance, and other physical characteristics. Supercuts has the absolute right not to accept any site not meeting its criteria.

Supercuts will use best efforts to notify you of its approval or disapproval of your proposed sites within 30 days after it receives complete site reports, financial statements, and other materials. If you do not obtain lawful possession of an approved site (through acquisition, lease, or sublease) within 180 days after Supercuts' approval, Supercuts may withdraw approval of that site. (This 180-day period does not modify or extend a Development Period or the deadline by which you must satisfy a Minimum Development Quota, as described in Item 12.) Because your rights in the SSA are not exclusive, other prospective developers/franchisees might be looking for sites in the same SSA at the same time. In terms of site allocation as sites become available (or as Supercuts learns of sites), Supercuts generally awards sites to prospective developers/franchisees based on whose Development Agreement was signed first (*i.e.*, a first-come, first-served basis). Therefore, you might not get a particular site if another prospective developer/franchisee was looking in the SSA before you were. (Generally, if there are 2 active Development Agreements for an SSA and neither developer has yet found any site for development, the developer who signed the earlier Development Agreement will have the first opportunity to develop a

Store at an acceptable site located in the SSA. However, the developer signing the later Development Agreement generally would have the right to develop its first Store at an acceptable site located in the SSA before the first developer could move forward with its second location in the SSA.) In all cases, however, all development rights in an SSA are subject to any expansion rights of existing franchisees in that SSA under the Supercuts Expansion Policy (described in Item 12). This means that you might not be allowed to pursue a particular site, even if you find it first, because an existing franchisee's expansion rights might give that franchisee the first right to develop a SUPERCUTS Store at that site (whether or not there is an effective Development Agreement).

Supercuts currently intends both to refer you to its real estate broker(s) in the SSA to help you locate one or more acceptable sites as well as to give you any demographic information to which it has access regarding proposed sites. However, despite any assistance that Supercuts chooses to give you in the site selection process, Supercuts is not obligated to conduct site selection activities for you in the SSA. It is your fundamental and primary responsibility to locate and secure one or more sites in order to comply with your development obligations. You are responsible if Supercuts terminates the Development because the failure to locate and secure sites results in your breach of your Minimum Development Quota.

All SUPERCUTS Stores must be properly developed and operated. Therefore, Supercuts may refuse to grant you a franchise for a proposed SUPERCUTS Store unless you meet its standard financial capability criteria. You must send Supercuts certain financial statements and financial and other information before being awarded a franchise.

Supercuts' offer of a franchise to operate a SUPERCUTS Store at an approved site (after the first Store) is effected by its sending you a Franchise Agreement and a Sublease for signing. You (and your partners or owners) must sign and return them to Supercuts within 15 days. Otherwise, Supercuts may terminate its offer to grant you a franchise to operate a SUPERCUTS Store at the approved site and withdraw its approval of that site.

Your failure to locate and obtain lawful possession of an approved site for your first Store, as a result of which that Store cannot open by the end of the applicable Development Period, (i) results (if the Development Agreement requires the development of only one SUPERCUTS Store) in expiration of the Development Agreement without any Store development and, without separate notice, the concurrent and automatic expiration of the Franchise Agreement for that first Store, or (ii) allows Supercuts (if the Development Agreement requires the development of more than one SUPERCUTS Store) to terminate the Development Agreement, which also will, without separate notice, result in the concurrent and automatic termination of the Franchise Agreement for the first Store.

Supercuts has the right to negotiate the terms of all leases for SUPERCUTS Stores or, if it chooses not to negotiate a particular lease, to accept or refuse to accept the terms of any lease you negotiate for the particular site. Unless Supercuts specifies otherwise, Supercuts will lease all Store sites (after the lease terms have been negotiated) and sublease them to you under its then current form of Sublease at the same economic terms. Regardless of the extent of your involvement in lease negotiations, you must review, confirm, and accept all lease terms before Supercuts and you sign the lease and Sublease, as applicable. You agree not to move forward, or authorize Supercuts to move forward, with lease signing if you have any concerns about the lease's terms. [Development Agreement, Section 5]

Franchise Agreement

Before you open your business, Supercuts will:

- Approve or disapprove your proposed site (see discussion above). (This assumes that you do not buy an existing SUPERCUTS Store operated by Supercuts' subsidiary or an existing affiliated branded salon for conversion to a SUPERCUTS Store.)
- If you are opening your first SUPERCUTS Store, arrange for a dedicated Grand Opening Plan Director to customize a grand opening plan for your specific location and market. (See Item 5)
- Make available to you its customary initial training course for the operation of a SUPERCUTS Store. You may have one additional person attend this training course at no additional charge at the same time you attend. [Franchise Agreement, Sections 6.01 and 6.02] Supercuts' current training before you open your first SUPERCUTS Store will occur after you sign and return the Franchise Agreement. Training is held at Supercuts' corporate offices (or another location Supercuts designates). You must complete this initial training course to Supercuts' satisfaction; Supercuts alone decides whether or not you have successfully completed the initial training course. Instructional materials used in training include the Operations Manual, Haircutting Technique Illustrated, Supercolor Procedures Guide, videos, handouts, and teleconference seminars.

All new SUPERCUTS stylists must attend a hairstylists academy training course/certification. The basic fee for each stylist is presently \$40 per employee per day. The training fee will increase every 5 years, commencing January 1, 2007, by the Consumer Price Index ("CPI") increase for the 5-year period plus 1%. You must pay all related costs, including travel, lodging, meals, and wages associated with your and your employees' attendance at the training course. This training fee is not refundable. Your haircutting employees must attend re-certification classes each year to be re-certified (at your cost).

All Store managers must attend Managers Training which, as of this disclosure document's issuance date, is held at locations around the country. This training generally requires between 2 and 5 days to complete. You must pay Supercuts a portion of the cost of the training facilities, training materials, and any audio visual equipment needed for the training. You also must pay all wages and costs for your employees to attend these training courses. [Franchise Agreement, Section 6.08]

The actual number of employees you must send to training depends on the Store's size, the volume of business, and employee turnover.

TRAINING PROGRAM			
Column 1	Column 2	Column 3	Column 4
Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
In depth review of Operations	15.5	4	Supercuts' Corporate Office in Minneapolis, MN

TRAINING PROGRAM			
Column 1	Column 2	Column 3	Column 4
Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Start-up & Construction	1.5	0	Supercuts' Corporate Office in Minneapolis, MN
Recruitment, selection and retention	4.0	0	Your Store's Location
Product Retailing	2.5	0	Supercuts' Corporate Office in Minneapolis, MN and/or your Store's Location
Marketing, Advertising and Public Relations	8.0	0	Supercuts' Corporate Office in Minneapolis, MN and/or Your Store's Location
Bookkeeping, Computer Department	1.5	0	Your Store's Location

The instructors' experience in their fields is as follows: Paul Plate—over 27 years in Operations, Accounting, and Finance with Regis; Sam Mani—over 22 years in Accounting and Finance, including 12 years with Regis; Paula Motzko—12 years in Product Retailing with Regis; Courtney Roberts—16 years in Franchising with Regis; Todd Green—19 years in Product Retailing, including 14 years with Regis; and James O'Regan—13 years in training and education in the salon industry, all with Regis or an affiliated brand. These individuals are department heads, and it is likely that others will assist in the training classes in the areas in which they have particular experience.

Although not required by the Franchise Agreement, Supercuts intends, whenever possible, to give you other pre-opening assistance, including in the areas of site selection and construction consultation. Supercuts will assign a project manager to help you prepare approved plans and specifications for the Store's improvements and fixtures. You must pay all architects' fees and other costs associated with preparing these plans and specifications. (This paragraph assumes that you do not buy an existing SUPERCUTS Store operated by Supercuts' subsidiary or an existing affiliated branded salon for conversion to a SUPERCUTS Store.) Regis also currently offers Supercuts franchisees, under its Construction Management Services Agreement (Exhibit M), the Store construction management services and FF&E coordination services described in Items 5 and 7.

Supercuts will loan you one copy of the Operations Manual or make the Operations Manual available to you by other means, including by posting it on a password-protected area of the SUPERCUTS website. The Operations Manual is Supercuts' confidential property. [Franchise Agreement, Section 7.01] If you were a franchisee before July 1, 1996, you must request a copy of the Operations Manual in order to receive it.

During your operation of the franchised business, Supercuts will:

- a. Inform you of the nearest training studio to train all your new employees in the haircutting techniques uniformly used by all SUPERCUTS Stores. All of your employees must attend this training course and complete the course to Supercuts' satisfaction before they cut any hair in your Store. In addition, you must pay Supercuts \$220 (\$225 as of January 1, 2014) for each stylist to participate in this training course. The daily rate per employee will increase every 5 years, commencing January 1, 2007, by the Consumer Price Index ("CPI") increase for the 5-year period plus 1%. You must pay all salaries and wages, travel/lodging costs, and other expenses for these employees during this training course. [Franchise Agreement, Section 6.05]
- b. Offer to all of your employees refresher courses regarding the uniform haircutting techniques used by all SUPERCUTS Stores. While these refresher courses will be offered to your employees at no cost to you, you must pay all wages and salaries, travel/lodging costs, and other expenses for these employees for the time spent in the refresher courses. [Franchise Agreement, Section 6.07]
- c. Make available to you the Managers' training courses. All managers of your SUPERCUTS Store(s) must attend and complete these courses to Supercuts' satisfaction. You must pay all salaries and wages, travel/lodging costs, and other expenses for these employees during these training courses. In addition, you must pay Supercuts a portion of the cost of the training facilities, training materials, and audio visual equipment needed for training (as provided in Item 6) for your employees participating in the training course. Supercuts may require any of your employees to attend one or more training courses related to the employee's employment duties. You must pay all wages and related expenses. [Franchise Agreement, Section 6.08] Whenever Supercuts deems it necessary, Supercuts will offer you and your employees additional training in order to maintain high quality and uniform operation. Supercuts does not anticipate that you will be required to attend system-wide franchisee meetings or any similar conventions.
- d. Provide advisory personnel at no cost to you who will occasionally visit your Store to inspect the quality of the services your employees are offering, instruct and advise employees on proper procedures, and advise employees on new techniques and methods. [Franchise Agreement, Section 6.09]
- e. Maintain a separate fund for amounts collected as advertising fees from all franchisees and spend this money only on advertising and sales promotion. The manner, media, and cost of such advertising or promotion will be decided by Supercuts and the franchisees' representatives, collectively called the SUPERCUTS Council, according to an agreement dated September 28, 1987. Details are outlined below. [Franchise Agreement, Section 4.05]

Advertising materials are provided to franchisees and SUPERCUTS owner/operators for their use, at their discretion, in television, radio, print, outdoor, direct mail, point of sale cash register tape programs, coupons, etc. Media coverage is placed locally by you in your market. Supercuts' Marketing Department and its designees and agencies develop advertising materials to various stages of completion. You may use your own advertising if Supercuts pre-approves it. Prior approval does not apply to advertising materials that Supercuts provides when used as supplied.

Each franchised and Supercuts-owned/operated Store must contribute 5% of its net monthly service revenues to the Advertising Fund. Currently, 75% of that 5% contribution ("Local" portion of fund) is credited by Store to the SSA in which the Store is located and used in that SSA for media

purposes. Each SUPERCUTS Store is included in an SSA based on Store location within a media zone as defined by the A.C. Nielsen Company.

The remaining 25% of the 5% contribution to the Advertising Fund is credited to an advertising materials development fund ("National" portion). Supercuts-owned Stores must contribute to the Advertising Fund on the same percentage basis as franchisees.

The SUPERCUTS Council is composed of 9 SUPERCUTS franchisees selected annually by all franchisees by vote of Stores ("Supercuts Council"). The Supercuts Council seeks to represent the interests of all franchisees in the system. The Supercuts Council has the authority to make all decisions regarding the nature of spending from the "Local" portion of the Advertising Fund. Supercuts has authority to make all decisions associated with spending the "National" portion of the 5% Advertising Fund. The Supercuts Executive Council consists of 3 Supercuts Council members and 3 Supercuts corporate members ("Supercuts Executive Council"). The Supercuts Executive Council has the right to vote to increase or decrease the portion of the 5% Advertising Fund committed to the National portion of the Advertising Fund, which is currently 25%. Supercuts does not have the power to form, change, or dissolve the Supercuts Council. There are no requirements for franchisees to participate in advertising cooperatives outside the requirements disclosed here.

Supercuts administers the Advertising Fund, which is governed by terms of a 1987 Settlement Agreement that may be amended, changed, updated, or otherwise altered only by agreement of the full Supercuts Executive Council. All documents are available for your review. Under the Settlement Agreement, Supercuts must prepare a Profit & Loss Statement for each market semi-annually, including year-end, which represents revenue credited and expenses debited to the Local market portion of the Fund. These Profit & Loss Statements are provided to your Market Representative and reviewed by your auditor. The National portion of the Fund is reviewed at Supercuts Executive Council meetings, as necessary, with written financial statements required semi-annually.

Total expenditures from the Fund, and the percentages spent on production, media placement, administrative, and other expenses, for the calendar year ended December 31, 2012 are as follows:

Production	\$4,889,154	17.2%
Media	\$23,541,996	82.6%
Administration/Other *	\$69,468	0.2%

*This category includes travel costs for the Supercuts Council, auditing, accounting and consulting fees for the Advertising Fund, and bad debt.

Neither Supercuts nor its affiliated companies receive payment for goods or services provided to the Advertising Fund.

Supercuts need not spend any amount on advertising in your market area other than its contribution of 5% of its own Stores' service sales, subject to a potential rebate of some of the Local portion of the Advertising Fund in those markets where Supercuts owns Stores. Each year the owners in each SSA vote (1 Store, 1 vote) whether or not a percentage of the Local portion of the 5% Advertising Fund may be rebated back to franchisees and Supercuts. All Stores within an SSA vote on the percentage to be rebated or to forego the rebate. The rebate is currently 25%. This percentage can be increased or decreased by approval of the Supercuts Executive Council.

No Advertising Fund dollars are spent on advertising which is principally a solicitation for franchise sales unless the Supercuts Council approves of that use.

If all advertising fees are not spent in the fiscal year in which they accrue, the funds remain in the advertising account for future use and are usually spent in the following year. The Fund is run by the franchisees jointly with Supercuts.

- f. Approve all Grand Opening marketing materials before use within the first 90 days of the Store's opening. [Franchise Agreement, Section 4.06]
- g. Pre-approve in writing all advertising or promotional materials you want to use, including signs or displays on or in the Store. [Franchise Agreement, Section 8.08]
- h. Prescribe the accounting methods, point of sale cash registers, books of accounts, and reporting systems and methods to be used in your business. The computer hardware and software requirements are outlined below: [Franchise Agreement, Sections 8.03 and 9.01 and Point of Sale System Rental Agreement]

You must use a computerized point of sale system and franchise back-office software meeting Supercuts' specifications and pre-approved by Supercuts. The currently-designated computerized point of sale system and franchise back-office software may be purchased or leased through Supercuts' designated supplier, currently Rogers Software Development, Inc. (Item 10 describes the Rogers Point of Sale System Rental Agreement.) The total annual costs to rent the hardware and software for the currently-designated computerized point of sale system and franchise back-office software for the first year is approximately \$5,489. During the second and each later year, the monthly fee is \$50, whether you purchase or lease the point of sale system. These fees are subject to change. Rogers Software Development, Inc. is located at 4013 East Scorpio Place, Chandler, Arizona 85249.

Supercuts currently requires franchisees to use its approved computer systems for processing sales, managing inventory, finances and other back office functions, ordering product, staffing, customer relations, and other aspects of their businesses, and may require franchisees to upgrade these computer systems in the future.

There are optional support services for the designated computerized point of sale cash register system which can be leased from the supplier at its current additional annual cost of up to approximately \$1,443 depending on which optional support services you choose. There is also optional equipment for the designated computerized point of sale cash register system which can be purchased or leased from the supplier at its current additional costs of up to \$999 down plus \$9 to \$93 per month for the first year (if you lease the equipment) and from \$49 to \$1,999 during the first year (if you purchase the equipment).

Supercuts may require you periodically to change, update, or upgrade the point of sale cash register system, hardware, and software due to changes in business and technology, and there is currently no limitation on the frequency or cost of updates or upgrades. The cash register system and/or franchise back-office software tracks employee productivity, records individual performance and customer data, monitors Store profitability factors, facilitates scheduling and payroll records, tracks product sales, monitors inventory, simplifies point of sale, and may link SUPERCUTS Stores to computer networks, including internet access to Regis systems. All data and information, including operational, financial, revenue, expenses, profit, customer, and

marketing data and information for your SUPERCUTS business (“Data”) are owned exclusively by Supercuts. You must provide Supercuts with independent and remote access to all Data through computer networking and other methods. There are no contractual limitations on Supercuts’ rights to access information of your SUPERCUTS business.

Supercuts requires franchisees to have access to and use electronic mail, a voice mail system, and the internet to send reports and other data and to communicate with Supercuts.

If the hardware components and/or software programs are the property of Supercuts or a third party, you have the obligation to provide and bear the cost of ongoing maintenance, repairs, upgrades, or updates and the then current annual licensing, support, and maintenance costs attributable to such hardware and/or software.

You have a contractual obligation to upgrade any hardware component or software program during the franchise term in order to meet Supercuts' minimum standards in order to provide reasonable and consistent service to the public and capture and make accessible to Supercuts all Data. You will provide Supercuts with remote access to all Data.

- i. Loan you a copy of the SUPERCUTS Operations Manual or make the Operations Manual available on a password-protected portion of the SUPERCUTS website or by other means. Supercuts will provide updates or access to updates of the Manual as they become available. The Manual, which has a total of 490 pages, is confidential and remains Supercuts's property. [Franchise Agreement, Sections 7.01 and 7.02]

The Manual's table of contents currently is as follows:

BOOK ONE – OPENING YOUR STORE

SECTION A - Introduction (7 Pages)

- Index Book One
- Welcome
- History
- Overview of the Operations System
- Overview of Book One

SECTION B - Real Estate (33 Pages)

- Real Estate Overview

SECTION C - Store Pre-Opening (21 Pages)

- New Store Timeline
- Construction Department
- New Store Details
- Receiving Instructions
- Franchise Orientation Training
- First Store Opening (FSO)
- New Franchisee Checklist

SECTION D - Franchise Product Sales (7 Pages)

- Approved Products
- Franchise Product Sales
- Contest Planning

Ordering & Pricing

SECTION E - Marketing (21 Pages)

Marketing Strategy
Advertising Media
Marketing Support
Glossary of Terms

SECTION F - Public Relations (13 Pages)

Fact Sheet
News Release
Grand Opening New Release
Charitable Efforts

BOOK TWO – MANAGING YOUR FINANCES

SECTION A - Introduction (7 Pages)

Index Book Two
Welcome
History
Overview of the Operations System
Overview of Book Two

SECTION B - Accounting (25 pages)

Accounting
Chart of Accounts Sample
Profit and Loss
Balance Sheet Sample
Profit and Loss Sample
Cash vs. Accrual Basis Accounting
Break Even Analysis
Trends
Horizontal Analysis Sample
Vertical Analysis Sample
Bill Paying/Accounts Payable
Weekly Gross Sales Report

SECTION C - Credit (9 pages)

Credit Policies
Accounts Receivable Department
Gross Sales Report
Monthly Statements
Mailing Information

SECTION D – Compensation & Benefits (13 pages)

Benefit Guidelines
Questions to Answer When Deciding on a Pay Plan
Stylist Pay Plans
Stylist Pay Plan Example
Manager Pay and Bonus Plan

Manager Pay and Bonus Plan Worksheet
Receptionist Pay Plans
Area Manager/District Manager Pay Plan and Bonus Plan

SECTION E- Financial Support Programs (5 pages)
Financial Support Programs

SECTION F - Inventory (17 pages)
Inventory
Inventory Receiving Record
Stock Inventory Worksheet
Inventory Errors
Purchasing Procedures
Merchandise Orders
Receiving & Recording Merchandise
Shortage & Damage Claim Procedures
Return Merchandise Policy
Pricing & Stocking Merchandise
Stock Rotation
Inventory Turns
Inventory Turns Calculation Worksheet
Sample Inventory Receiving Record
Sample Stock Inventory Worksheet

BOOK THREE – MANAGING YOUR STORE

SECTION A - Introduction (9 pages)
Index Book Three
Welcome
History
Overview of the Operations System
Overview of Book Three

SECTION B – General Management (13 pages)
Ethical Practices
Break Room Policy
Secret Shopper
Sample Secret Shopper Form
Guarantee Policy
Files, Forms & Records
Regis Salon Trade Names

SECTION C – Performance Reviews (15 pages)
Performance Reviews
Confronting Unacceptable Behavior
Documentation
Employment Separation
Unemployment Compensation

SECTION D – Cash Handling & Security (23 pages)

- Store & Emergency Information
- Handling Money
- Void Transactions
- Employee Purchase Procedures
- Coupons
- Gift Certificates
- Cash Returns & Exchanges
- Credit Card Returns & Exchanges
- How to Prepare a Bank Deposit
- How to Prevent a Theft
- How to Handle a Theft
- Shoplifting
- Money Manipulation
- Insufficient Check
- Internal Theft & Coupon Manipulation
- Break Room Security
- Store Security Checklist
- Store Safety

SECTION E – Service Menu & Definitions (9 pages)

- Supercuts Services Menu
- Optional Services

SECTION F – Daily Operations (17 pages)

- Daily & Monthly Paperwork
- Delegating Effectively
- Shop Opening Procedures
- Shop Closing Procedures
- Customer Service
- Customer Communication
- Supercall Call Ahead Program
- Telephone Cue Card
- Haircare Quality
- Store Atmosphere
- Making Quality Happen
- Technical Adjustment Procedures
- Handling Customer Complaints
- Down Time

SECTION G – Scheduling (21 pages)

- New Store Scheduling
- The Established Store – Shifts and Hours
- Suggested Scheduling Procedure

APPENDIX H – Forms (58 pages)

- Action Plan
- Exit Interview
- Management Form

Performance Guidelines
Receptionist
Stylist
Shift Manager
Manager

Performance Reviews
Receptionist
Stylist
Store Employee
Shift Manager
Manager

Refund Report
Satisfaction Report
Self Evaluations
Receptionist
Stylist

Security Regulations
Separation Form
Technical Adjustments Form
Telephone Cue Card
Transfer Document
What's Best for Your Hair Prescription Pad Sample

BOOK FOUR – MAINTAINING THE ENVIRONMENT

SECTION A – Introduction (9 pages)

Index Book Four
Welcome
History
Overview of the Operations System
Overview of Book Four

SECTION B – Supercuts Principles & Guidelines (7 pages)

SUPERCUTS Mission
SUPERCUTS Customer Service Principles
SUPERCUTS Employee Service Principles
Store Operating Guidelines

SECTION C – Creating the Environment (17 pages)

Creating the Environment
Customer Service Quality Control Checklist
Store Maintenance Checklist
Approved Tools

SECTION D – Sanitation (11 pages)

Cleaning Duties
Rotating Duties
Store Cleaning
Maintenance Services

Sanitation Policy
Head Lice

SECTION E – Recruiting (9 pages)

Recruiting
About the ResourceBook
Why Recruiting?
Recruiting Guidelines
Five Recruitment Strategies
Recruitment Timeline for New Stores

SECTION F – Interviewing & Hiring (23 pages)

Interviewing
Interviewing Tips
Anti-Discrimination Guidelines for Interviewing
Behavioral Questions Examples
Reviewing Applications
Checking References
Hairstylist Interview Guide
Employee Selection Criteria
Receptionist Selection Criteria
Hairstylist Selection Criteria
Management Team Selection Criteria
Interview Cue Cards
Interview Outline
Sample Letter to Non-Hires
Job Descriptions
Rehires & Transfer Policy
New Hire Orientation

SECTION G – Staff Development (11 pages)

Introduction
Store Meetings
Management Team Guidelines
Management Team Meetings
Management Team Assessment Matrix
Education

SECTION H – Manager/Stylist Education (27 pages)

Pre-Training
Hairstylist Academy (HSA)
Post-Training/On-Going Development
Seminars
Hairstylist Recertification
Management Technical Training (MTT)
Certified Technical Trainers (CTT)
Supercolor
Supercolor Timeline
2-Day Seminar Training In-Store
Supercolor New Hire Training

Supercolor Certified CTT
DVD Library
Education Department Terms

SECTION I – Retention (5 pages)
Retaining Employees

SECTION J – Forms (28 pages)
Use of Forms

The Franchise Agreement requires that all Store improvements be completed within 180 days after the later of the Franchise Agreement's signing or the landlord's turnover of possession of the location. Your failure to comply is a default under the Franchise Agreement. Based upon Supercuts' prior experience with company-owned locations, the Store can generally be opened within 15 days after completion of the improvements. Therefore, a typical length of time between signing the Franchise Agreement or first payment of consideration for the franchise and the Store's opening may range from 6 to 12 months. [Franchise Agreement, Section 5.02] (This paragraph assumes that you do not buy an existing SUPERCUTS Store operated by Supercuts' subsidiary or an existing affiliated branded salon for conversion to a SUPERCUTS Store.)

ITEM 12
TERRITORY

Franchise Agreement

The Franchise Agreement does not grant you any territory, whether exclusive or non-exclusive. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that Supercuts owns, or from other channels of distribution or competitive brands that Supercuts controls. The Franchise Agreement grants you the limited right and license to operate one SUPERCUTS Store at a specific location that Supercuts must approve within a specific SSA. You may not relocate the Store to a new site without Supercuts' prior written consent, which Supercuts may grant or deny as it deems best. Whether or not Supercuts allows relocation depends on what is in the Store's and the system's best interests. Factors include, for example, the proposed area, its proximity to other Stores, whether you are complying with your Franchise Agreement, whether you properly de-identify the old location, lease obligations, and how long it will take you to open at the new location.

Subject only to the restrictions contained in its Development Agreement and the Expansion Policy (both described below), Supercuts may at any time and at any location establish other SUPERCUTS franchised or company-owned Stores; acquire, merge with, develop, establish, or operate other franchise systems or stores for the same, similar, or different services or products; and grant and sell similar franchises and licenses to others to operate, and to establish, own, or operate for its own account or with others, other hair care establishments under SUPERCUTS or any other trade name that may compete with your Store.

Supercuts' current or future parent company and affiliates also are free to acquire, merge with, develop, establish, or operate other franchise systems or stores for the same, similar, or different services or products and to grant and sell similar franchises and licenses to others to operate, and to establish, own, or operate for their own account or with others, other hair care establishments under SUPERCUTS or any other trade name and at any location whatsoever which may compete with your Store.

The Supercuts Expansion Policy applies only to Stores that were developed without a Development Agreement (whether by you, other franchisees, or Supercuts). Under the Expansion Policy, a Store owner (whether a franchisee or Supercuts) with an existing Store in a market has priority to develop new Stores in that market over owners without Stores in that market. This means that, until you have a Store in a market, other owners (whether a franchisee or Supercuts) with Expansion Policy rights have the right to a proposed site in that market before you. However, once you have a Store in a market, owners with Expansion Policy rights no longer have this priority over you. Once you have a Store in a market, in order for an owner with Expansion Policy rights related to an existing Store in that market to have the right to develop or block development of a proposed new Store in that market, an impact study must show that the owner's existing Store is the most negatively impacted Store and the negative impact is at least 2%.

The Expansion Policy does not apply to any Stores developed under a Development Agreement. Your Development Agreement (described below) sets forth your only development rights with respect to Stores. You may establish additional Stores after your Development Agreement expires or is terminated only if you are in good standing and meet the other requirements described in your Development Agreement. Under your Development Agreement, your right to develop or block the development of new Stores after the Development Agreement expires or is terminated depends on, among other things, whether you are in good standing at that time, whether Supercuts determines that your Development Area should be further developed, and whether you meet Supercuts' then current standards for developers. These development rights would be granted, if at all, only under Supercuts' then-current Development Agreement. If Supercuts grants no further development rights, your right to develop and/or block the development of a new Store depends on whether you are in good standing at that time and whether an impact study determines that the proposed new Store would negatively impact your existing Store by at least 20%.

Except as provided above and in the Development Agreement discussion below, you have no options, rights of first refusal, or similar rights to acquire additional franchises.

Development Agreement

Size of Area

The Development Agreement grants you certain rights within an SSA (Site Selection Area) described in the Development Agreement. The SSA's size will vary among prospects and, for example, may be one or more counties in rural areas or a portion of a metropolitan statistical area in heavily populated major cities. Its size also depends on how many SUPERCUTS Stores you agree to develop, the timeframe for development, the proximity to other SUPERCUTS Stores, and the demographics of the area around your site's proposed location. Supercuts identifies your proposed SSA early during the franchise due diligence and offer process (based on where you tell Supercuts you wish to operate) and then inserts that same SSA description into the Development Agreement before you sign it. The SSA does not change during the Development Agreement term.

Unless you are signing a Franchise Agreement for a new SUPERCUTS Store to be developed under a previously-signed Development Agreement or as a result of your exercise of Expansion Policy rights, Supercuts' current practice is to sign a Development Agreement with all franchisees for each new franchise acquisition in an SSA, even if the franchisee expects to develop only one Store. Supercuts currently grants single-Store development rights under the "Single Store Program" and 3-Store development rights under the "Fast Start Program." If you acquire the right to develop just one SUPERCUTS Store, you will sign the Development Agreement and that Store's Franchise Agreement at

the same time. If you acquire 3-Store development rights under the Fast Start Program, you will concurrently sign the Development Agreement and the Franchise Agreement for the first Store to be developed. You sign Supercuts' then current standard Franchise Agreement for each subsequent SUPERCUTS Store you open according to the Development Agreement. You must open the agreed-upon number of SUPERCUTS Stores, whether just one or 3, within specified development periods ("Development Periods"). The Development Agreement identifies before signing whether you must develop one or 3 Stores.

Rights During Development Periods

If you are in full compliance with (a) the Development Agreement's terms and conditions, including your development obligations, and (b) all obligations under existing Franchise Agreements you signed with Supercuts (including being current on all accounts payable to Supercuts), then during the Development Period(s) Supercuts will grant you one or more franchises for the ownership and operation of one or more SUPERCUTS Stores to be located within the SSA. Your rights in the SSA are non-exclusive. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that Supercuts owns, or from other channels of distribution or competitive brands that Supercuts controls. Supercuts and its affiliates reserve all rights, at any location inside or outside the SSA and under either the trade name "Supercuts" or any other trade name, to acquire, merge with, develop, establish or operate other franchise systems for the same, similar, or different services or products; and to grant and sell similar franchises and licenses to others to operate, and to establish, own, or operate for their own account or with others, other hair care establishments; and to sell the services and products authorized for SUPERCUTS Stores through any other channels of distribution and under any terms and conditions they deem appropriate (provided, however, that these other channels of distribution may not sell any "Supercuts" branded services within the SSA during the Development Agreement's term); and to engage in all other activities not expressly prohibited under the Development Agreement. Supercuts need not compensate you for these activities.

Development Obligations

During the Development Agreement's term, you must at all times faithfully, honestly, and diligently perform your contractual obligations and continuously exert your best efforts to promote and enhance the development of SUPERCUTS Stores within the SSA. You also must have open and operating within the SSA the minimum agreed upon number of SUPERCUTS Stores at the end of each Development Period, which may be one Store or 3 Stores total ("Minimum Development Quota"). The Development Periods are fixed for all franchisees in terms of how long they have to find sites for and then open Stores. The only variable is when the franchisee signs its contracts because that determines the starting date. Therefore, once you sign the Development Agreement and Franchise Agreement for the first (and, if applicable, only) Store to be developed in the SSA, you will have 12 months to find a site for and then open that Store. If you commit to the Fast Start Program, meaning that you commit to develop 3 Stores in the SSA, you will have 12 months from contract signing to find a site for and then open your first Store, 18 months from the deadline for opening your first Store to find a site for and then open your second Store, and then a final 18 months from the deadline for opening your second Store to find a site for and then open your third Store.

If you fail to meet any Minimum Development Quota, Supercuts has the right to terminate the Development Agreement by delivering a termination notice to you. While Supercuts' right to terminate the Development Agreement is (except as described below) its sole and exclusive remedy for your failure to meet a Minimum Development Quota, no development fees paid are refundable. If the Development Agreement requires you to develop more than one SUPERCUTS Store within the SSA, then Supercuts'

decision to terminate the Development Agreement due to your failure to meet the Minimum Development Quota for your first Store also will, without separate notice, concurrently and automatically terminate the Franchise Agreement for that first Store (which you and Supercuts will sign concurrently with signing the Development Agreement). If the Development Agreement requires the development of only one Store within the SSA, your failure to meet the Minimum Development Quota by the last day of the lone Development Period results in the expiration of the Development Agreement and, without separate notice, the concurrent and automatic expiration of the Franchise Agreement for that first Store (which you and Supercuts will sign concurrently with signing the Development Agreement).

Grant of Additional Development Rights/Rights of First Refusal

When the Development Agreement expires, your non-exclusive rights in the SSA automatically end, and you have no right to renew or extend the Development Agreement. If you want to acquire additional development rights in the SSA after the Development Agreement expires (if you complied with your development obligations), you must notify Supercuts at least 60 days before the Development Agreement expires. Supercuts has the right to evaluate the prospects for additional SUPERCUTS Stores in the SSA. If Supercuts determines that the SSA may not or should not be further developed at that time, or that you do not comply with its then-current requirements for developers, Supercuts will so notify you, and, except as otherwise provided below, you will have no right to acquire additional development rights for SUPERCUTS Stores in the SSA.

If Supercuts determines that the SSA may or should be further developed at such time, and you meet all of Supercuts' then-current requirements for developers, Supercuts will notify you of its proposal to develop additional SUPERCUTS Stores in the SSA. You will have 30 days to accept Supercuts' proposal in writing and sign its then-current form of Development Agreement incorporating the terms of the proposal (and sign concurrently a Franchise Agreement for the first Store to be developed). If you fail to do so, these rights automatically terminate, and Supercuts has the absolute right, except as otherwise provided below, to open and develop SUPERCUTS Stores in the SSA at any time after the Development Agreement has expired.

If you do not acquire additional development rights for SUPERCUTS Stores in the SSA after the Development Agreement expires (as provided above), did not receive a notice of termination of the Development Agreement before it expired, fully complied with your original development obligations, and are at that time a "Franchisee in Good Standing" with respect to all SUPERCUTS Stores you then operate, whether or not developed under that Development Agreement, you still have the following right of first refusal ("ROFR") with respect to the development of additional SUPERCUTS Stores within the SSA.

You will have a ROFR to sign a new Development Agreement to develop additional SUPERCUTS Stores within the SSA on the same terms as those which Supercuts offers to a proposed new developer ("New Offer") provided that (i) the New Offer's development requirements are less than those that Supercuts offered to you before the final Development Period in your Development Agreement expired (if Supercuts offered you the opportunity for further development as described above), and (ii) Supercuts makes the New Offer before your ROFR expires. Development requirements in the New Offer will be considered less than those previously offered to you if there is (x) a reduction in the required annual rate of new SUPERCUTS Store openings – defined as the cumulative Minimum Development Quotas specified in the previous offer to you divided by the cumulative number of years of all Development Periods in the previous offer to you – or (y) any decrease in the cumulative Minimum Development Quotas specified in the previous offer to you, regardless of the length of the cumulative Development Periods in the previous offer, or (z) any increase in the SSA's size. You will have 30 days to accept the

New Offer in writing and sign Supercuts' then-current form of Development Agreement (together with the first Franchise Agreement) incorporating the New Offer's terms. If accepted, you will have the right to own and operate SUPERCUTS Stores in the SSA according to the terms and conditions set forth in the then-current form of Development Agreement, which will reflect the New Offer's terms. However, if you do not accept the New Offer within 30 days, Supercuts has the absolute right to grant the New Offer to the proposed new developer.

The term of your ROFR begins when your Development Agreement expires and continues until the later of 2 years from that date or the number of years following that date calculated by multiplying the cumulative number of years of all Development Periods during the Development Agreement's term by 75% and rounding up to the next full year. If Supercuts does not offer you a new development agreement before your current Development Agreement expires, you have a ROFR for any New Offer as long as Supercuts makes the New Offer before the ROFR term expires.

If you choose not to exercise your ROFR for any reason, or if the ROFR's term expires without your having exercised your right, and Supercuts then signs a development agreement with a new developer, you nonetheless have the right to develop or block the development of any new SUPERCUTS Store proposed to be established by the new developer within the SSA if the new Store impacts any of your existing SUPERCUTS Stores in the SSA to a certain extent (see Expansion Policy discussion above under "Franchise Agreement").

Supercuts may not develop for its own account any SUPERCUTS Stores in the SSA during your ROFR term, provided, however, that these restrictions will not exceed 6 years from the date your Development Agreement expires.

If you did receive a notice of termination of your Development Agreement before it expired, did not fully comply with your original development obligations, or are not a "Franchisee in Good Standing" with respect to all SUPERCUTS Stores you then operate, the only right you have with respect to new SUPERCUTS Stores to be developed within the SSA is to block future development of any SUPERCUTS Stores that impact your existing SUPERCUTS Stores in the SSA to a certain extent (see Expansion Policy discussion above under "Franchise Agreement").

Store Closings

A SUPERCUTS Store you own that is permanently closed with Supercuts' approval after having been open will be considered open and in operation for purposes of the Minimum Development Quotas if a substitute SUPERCUTS Store is opened within 12 months from the closing date. The replacement Store does not otherwise count toward your development quotas.

Other Franchises or Company-Owned Stores

Supercuts has not established other franchises or company-owned stores selling or leasing similar products or services under a different trade name or trademark but reserves the right to do so in the future.

Item 1 describes in detail the franchising and other operations in the hair care area of Supercuts' current affiliates. These affiliates own, operate, and franchise numerous brands, including The Barbers, Cost Cutters®, City Looks® Salons, We Care Hair, Regis Salons, MasterCuts, SmartStyle, Pro-Cuts, Roosters, HairMasters, Haircrafters®, and Great Expectations®. There may be new affiliated franchise programs in the future. You will compete with the stores and salons operated by Supercuts' affiliates and their franchisees that are located near your Store. The current affiliated franchise programs in the United States share Supercuts' principal business address. With one exception, they do not have separate training

facilities. That exception is that Pro-Cuts also has training facilities in the Dallas/Ft. Worth, Texas area. There is no formal mechanism in place for resolving any conflict that may arise between your Store and the stores/salons of Supercuts' affiliated franchise systems in terms of area of operation, customers, and franchisor support.

ITEM 13
TRADEMARKS

Supercuts gives you the right to operate a hair care establishment under the "SUPERCUTS" name and to use other trademarks, service marks, names, logos, and symbols. You must follow Supercuts' rules when you use these Marks. You may not use any Mark as part of any corporate name or with any modifying words, terms, designs or symbols except for those Supercuts licenses to you. You may not use "SUPERCUTS" or another Mark in selling any unauthorized product or service or in any other manner Supercuts does not explicitly authorize in writing.

Supercuts owns the following trademark registrations, all of which are on the Principal Register of the United States Patent and Trademark Office (USPTO):

Mark	Goods/Services	Registration No.	Date of Registration
SUPER CUTS	Hair cutting and styling services	1,159,574	6/30/81
SUPERCUTS	Hair care and hair cutting services	1,488,847	5/17/88
SUPERCUTS	Franchise services	1,509,507	10/18/88
SUPERCUTS & Design	Printed advertising materials	1,573,335	12/26/89
SUPERCUTS & Design	Hair care and hair cutting services	1,578,308	1/16/90
SUPERCUTS & Design	Franchise services	1,611,483	8/28/90
SUPERCOLOR	Hair coloring services	2,737,546	7/15/03

All required affidavits of use and incontestability have been filed, and all registrations have been renewed when due. Supercuts intends to continue renewing all registrations when due if the particular Marks remain important to the SUPERCUTS system.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks. Except as noted below, Supercuts does not actually know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in the state where it allows you to use them. No agreement limits Supercuts' right to use or license the use of the Marks in any manner material to the franchise.

Supercuts is aware of other uses of the name "SUPERCUTS" and variations by individuals and entities conducting various businesses, including cosmetology or barber shops, in various geographic areas. Supercuts cannot predict the consequences of such uses. While Supercuts has in the past contested, and

will continue to contest vigorously, such uses if they adversely affect the SUPERCUTS system, some of these users (due to the duration of their use) might have rights that are superior to Supercuts' rights or your rights and therefore could preclude your use of the "SUPERCUTS" name in a particular market. Supercuts will advise you of such a superior use if it is aware of the use.

You must notify Supercuts immediately if you learn of any infringement or challenge to your use of any name or Mark. Supercuts may take any action it deems appropriate (including no action). Supercuts will protect your right to use its trademarks, service marks, trade names, logotypes, or other commercial symbols and protect you against infringement and unfair competition claims relating to the Marks. While Supercuts is not contractually required to defend you against or indemnify you for a claim arising from your use of the Marks, Supercuts' intention is to hold you harmless from such a claim if your trademark use complied with the Franchise Agreement. If Supercuts initiates or defends a trademark proceeding or infringement action, it has the right to control the matter. Supercuts will bear all expenses of the proceeding.

You may not contest Supercuts' ownership, title, right, or interest in its names or Marks, trade secrets, methods, procedures, and advertising techniques that are part of the SUPERCUTS business or contest Supercuts' sole right to register, use, or license others to use these names and Marks, trade secrets, methods, procedures, and techniques. You must post a notice at your Store indicating that your Store is independently owned and operated.

If Supercuts requires you to modify or discontinue using a trademark due to a proceeding or settlement, you must abide by the results of the proceeding or settlement.

The Development Agreement does not give you any separate right to use the Marks. Your right to use the Marks is derived solely from Franchise Agreements signed with Supercuts to operate SUPERCUTS Stores.

ITEM 14 **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

Supercuts does not own any patents or any pending patent applications. Supercuts claims common law copyrights consisting primarily of advertising copy and design; training, operation, and procedure manuals; and other items relating to the operation of SUPERCUTS Stores. Supercuts has not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use copyrighted items only as Supercuts specifies while operating your Store (and must stop using them at Supercuts' direction).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding Supercuts' copyrighted materials. Supercuts does not know of any infringing uses that could materially affect your use of any copyrighted material. No agreement limits Supercuts' right to use or license the use of copyrighted materials in any manner material to the franchise.

You may not contest Supercuts' ownership, title, right or interest in its copyrighted materials which are part of the SUPERCUTS business or franchise operation or contest Supercuts' sole right to register, use, or license others to use this copyrighted material. While Supercuts has no contractual obligation to defend you against or indemnify you for a third-party copyright infringement claim (whether you bring it to Supercuts' attention or Supercuts independently learns about it), Supercuts intends to hold you harmless from this type of claim if you used the copyrighted materials in compliance with the Franchise

Agreement. Supercuts intends to protect its copyrights to the extent they are material to the SUPERCUTS system. Supercuts may control all litigation involving its copyrights.

In addition to the Marks and copyrights, Supercuts owns proprietary rights to numerous technical processes used in cutting hair that are licensed to you according to the Franchise Agreement. You agree that your entire knowledge of Supercuts' processes, services and products, all proprietary formulations, technology, and know-how, and the operation of a SUPERCUTS Store comes from information Supercuts licensed to you and that this information is proprietary, confidential, and a trade secret of Supercuts. You (1) may disclose this information to your employees only to the extent necessary to market SUPERCUTS products and services and to operate your SUPERCUTS Store; (2) may not use any of this information in any other business or in any manner that Supercuts does not specifically authorize or approve in writing; and (3) must exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all this information during and after the franchise term.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION
OF THE FRANCHISE BUSINESS

Franchise Agreement

Although Supercuts strongly encourages your direct personal involvement, Supercuts does not require you to participate personally in the day-to-day, on-premises operation of your SUPERCUTS Store. It is Supercuts' policy, however, that your Store always must be under the direct, on-premises supervision of a manager (who may be the franchisee) who has successfully completed the training program and devotes his/her entire time during business hours to managing the Store. Supercuts otherwise does not limit whom you may hire as an on-premises supervisor. (Item 11 describes the training that your manager(s) and other employees must complete.) If the franchisee is an entity, the on-premises supervisor need not have an equity interest in the franchisee's business. Neither you nor your manager may have any interest as an owner, employee, director, officer, salesman, representative, agent or in any other capacity in any other business competitive with the franchised business other than other SUPERCUTS Stores or other franchised businesses affiliated with Supercuts. Your manager also must maintain the confidentiality of any proprietary information about the SUPERCUTS system to which he or she has access. If you are a legal entity, each owner must personally guarantee all of your obligations under the Franchise Agreement and agree to be bound personally by every contractual obligation, both monetary and non-monetary, including the covenant not to compete. This "Guaranty and Assumption of Obligations" is at the end of the Franchise Agreement.

Development Agreement

You (or a managing partner or owner Supercuts approves) must exert your best efforts to comply with the obligations under the Development Agreement. You (or the managing partner or owner) must supervise the development and operations of franchised SUPERCUTS Stores according to the Development Agreement but need not be engaged in the day-to-day operations of any Store. If you are a legal entity, each owner must personally guarantee all of your obligations under the Development Agreement and agree to be bound personally by every contractual obligation, both monetary and non-monetary, including the covenant not to compete. This "Guaranty and Assumption of Obligations" is at the end of the Development Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer all products and services that Supercuts uniformly requires of all SUPERCUTS Stores. You may not offer or sell any products or services that Supercuts does not authorize or use the premises for any purpose other than the operation of a SUPERCUTS Store. You are not limited in the customers to whom you may sell goods and services. You may not sell any hair care products other than directly to end user customers at the Store's location. This means that you may not sell any hair care products through any other distribution channels (including the Internet) or to any reseller. Supercuts has the unlimited right to change the types of approved goods and services as it determines in its sole discretion. While Supercuts generally does not require you to use new products, your Store must offer the minimum array of products and services Supercuts requires.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Franchise Agreement		
Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	3.01	Provided Franchise Agreement is not sooner terminated according to its terms and conditions, term expires only upon termination or expiration of right to lease or sublease franchised location (including renewal periods, if any) unless you relocate within 180 days of such termination or expiration. (However, first Franchise Agreement you sign together with signing of Development Agreement expires automatically if first Development Period expires with no Store opening.)
b. Renewal or extension of the term	3.01	Provided the lease or sublease has not expired and you are in good standing and not in default of any relevant agreement, the franchise term extends indefinitely.
c. Requirements for franchisee to renew or extend	3.01	If the site's lease or sublease has expired, you must relocate to a new location acceptable to Supercuts within 180 days.

Franchise Agreement		
Provision	Section in franchise or other agreement	Summary
d. Termination by franchisee	13.01	<p>With cause: If Supercuts defaults and does not correct default or provide evidence of its effort to correct default within 60 days.</p> <p>Without cause: You may terminate Franchise Agreement by giving Supercuts 120 days' prior written notice if you are not in default and take care of all remaining lease obligations.</p>
e. Termination by franchisor without cause	Not applicable	The Franchise Agreement does not include this provision.
f. Termination by franchisor with cause	13.02	Supercuts can terminate Franchise Agreement only if you default. Supercuts can also terminate your Sublease upon default. Franchise Agreement and Sublease are cross-defaulted.
g. "Cause" defined – curable defaults	10.08 and 13.02	<p>You have 5 days to cure non-payment of fees, royalties, advertising, rents and other required payments; non-receipt of revenue reports; and employment of an uncertified stylist.</p> <p>You have 20 days to cure default of obligations not otherwise addressed in Section 13.02 where the amount to cure is less than \$500; 30 days to cure violation of Store appearance standards where the amount to cure is less than \$4,000 and defaults not otherwise addressed in Section 13.02 where amount to cure is greater than \$500; and 60 days to cure any violation of Store appearance standards where the amount to cure is greater than \$4,000.</p>

Franchise Agreement		
Provision	Section in franchise or other agreement	Summary
h. “Cause” defined – non-curable defaults	6.04, 9.04, 10.02, 10.08, 13.02, and 14.01 of Franchise Agreement	If default is non-curable, termination occurs following the third notice of default in 24 months. The forced sale of the business or placing the business under independent management may occur following bankruptcy, insolvency, or abandonment; writ or warrant served on property or assets for longer than 15 days; closing business for more than 5 days; understatement of revenues by more than 3%; material misrepresentation to Supercuts; failure to open by required deadline; failure to perform obligations under guarantee or similar debt obligation; conviction of a crime; interference with inspection; dishonest or unethical conduct against Supercuts; death or disability; disclosure of proprietary information; failure to pay federal and/or state taxes; failure to maintain insurance; and diverting of business from Store.
i. Franchisee's obligations on termination/non-renewal	13.03 of Franchise Agreement and 11 of Sublease	Complete de-identification, including giving Supercuts access to premises to remove identification; payment of all amounts due to Supercuts and creditors; return all copies of all manuals and other proprietary information; give up and transfer all telephone listings to Supercuts; transfer business to Supercuts or designee; and cease using SUPERCUTS Marks. Termination of Franchise Agreement also is breach of lease/sublease, and you must immediately vacate premises but remain responsible for rents and damages accrued to date you vacate (also see “r” below).
j. Assignment of contract by franchisor	10.01	No restriction on Supercuts’ right to assign.
k. “Transfer” by franchisee – defined	10.02 and 10.07	Includes transfer of agreement or assets or ownership change, including sale of securities in you. Includes assignment to newly-formed corporation you actively manage.
l. Franchisor approval of transfer by franchisee	10.02, 10.03, and 10.08	Supercuts has right to approve all transfers but will not unreasonably withhold approval.

Franchise Agreement		
Provision	Section in franchise or other agreement	Summary
m. Conditions for franchisor approval of transfer	10.03, 10.04, 10.05, and 10.07	All your obligations have been paid or assumed by new franchisee; all fees, lease payments, and purchases from Supercuts or its affiliates are paid; all required reports submitted; new franchisee agrees to complete training program for new franchisees and signs then current agreements customarily used by Supercuts or assumes your agreements; if required, lessor of Store's premises consents to assignment; \$2,500 transfer fee paid; release signed (if state franchise law allows); Supercuts approves assignment terms; you subordinate amounts due to you from transferee; you and your owners sign non-competition agreement; and you sign agreement guaranteeing assignee's obligations to Supercuts (if no default by transferee for 6 months after transfer, you will be released) (also see "r" below).
n. Franchisor's right of first refusal to acquire franchisee's business	10.06	Supercuts has 30 days after receipt of offer from you to match offer. Supercuts can require you to produce a signed copy of a proposed purchase offer within 15 days after its receipt of your request for transfer approval.
o. Franchisor's option to purchase franchisee's business	13.03 and 13.04	Upon termination for any reason, Supercuts must purchase all of your merchandise containing SUPERCUTS Mark at then current wholesale price or at original cost to you if Supercuts no longer sells the merchandise. If your fixtures, equipment, and other hard assets are transferred to Supercuts, the unamortized value of these assets will be credited toward your account. This provision does not apply to Supercuts-approved sales and transfers.
p. Death or disability of franchisee	10.09	Surviving spouse, heirs, or estate has opportunity to assume ownership of franchise under certain conditions.
q. Non-competition covenants during the term of the franchise	2.07	No involvement or interest by you or your immediate family in competing business within 10 miles of your Store or any other SUPERCUTS Store in operation, except other Regis-owned or franchised businesses, ownership of other SUPERCUTS Stores, or ownership of 1% or less of given class of securities of competitive business.

Franchise Agreement		
Provision	Section in franchise or other agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	2.08	No involvement in competing business for 2 years within 10 miles of your Store or any other SUPERCUTS Store in operation, except other Regis-owned or franchised businesses, ownership of other SUPERCUTS Stores, or ownership of 1% or less of given class of securities of competitive business.
s. Modification of the agreement	15.08	No modifications except in writing and agreed to by both parties.
t. Integration/merger clause	15.04 of Franchise Agreement and 10 (or 11) of Asset Purchase Agreement	Only the Franchise Agreement and Asset Purchase Agreement's terms are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement and Asset Purchase Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	13.06 of Franchise Agreement and 13 (or 14) of Asset Purchase Agreement	All disputes not resolved within 15 days after written notice by either party must be submitted for arbitration in Minneapolis, Minnesota on demand of either party (subject to state law).
v. Choice of forum	None	See "u" above for arbitrated matters; property matters may, at Supercuts' discretion, be litigated in forum required by law (subject to state law).
w. Choice of law	15.02	Laws of state where Store is located.

This table lists certain important provisions of the Development Agreement. You should read these provisions in the agreements attached to this disclosure document.

Development Agreement		
Provision	Section in Development Agreement	Summary
a. Length of the development term	3.A.	Term begins upon execution of Development Agreement and expires on earlier of (i) last day of last (or only) development period or (ii) date on which last (or only) Store on development schedule is open and operating. Length depends on whether you commit to develop one or 3 Stores.

Development Agreement		
Provision	Section in Development Agreement	Summary
b. Renewal or extension of the term	3.D.	You do not have right to extend Development Agreement term, but if you complied with Development Agreement and Supercuts determines that Development Area may be further developed, you may acquire new development rights and/or will have right of first refusal for such rights. You must meet Supercuts' then-current requirements for an area developer, provide notice, sign relevant agreements, and pay applicable fees.
c. Requirements for developer to renew or extend	3.D.	See (b) above.
d. Termination by developer	Not Applicable	The Development Agreement does not contain this provision.
e. Termination by franchisor without cause	Not Applicable	The Development Agreement does not contain this provision.
f. Termination by franchisor with cause	10	Supercuts can terminate only if you default.
g. "Cause" defined - curable defaults	10	You have 30 days to cure any default other than defaults cited below in (h).
h. "Cause" defined – non-curable defaults	3.C. and 10	Non-curable defaults include failure to meet development requirements; unapproved transfers; general partnership interest in you is terminated; material misrepresentation or omission in application for development rights; felony conviction or other crime adversely affecting Marks; unauthorized use of Marks or confidential information; repeated defaults (even if cured); Supercuts' termination of a Franchise Agreement with you (or your owner or affiliate) with cause; or your termination of a Franchise Agreement without cause.
i. Developer's obligations on termination/non-renewal	11.A.	Obligations which by their nature survive termination continue in full force (also see (r) below).
j. Assignment of contract by franchisor	12	No restriction on Supercuts' right to assign.

Development Agreement		
Provision	Section in Development Agreement	Summary
k. “Transfer” by developer - defined	12.B., C, and D	No assignment is allowed without Supercuts’ prior written approval. Includes transfer of Development Agreement or assets or ownership change, including sale of securities in you.
l. Franchisor approval of transfer by developer	12.B., C, and D	Supercuts has right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Not Applicable	No conditions cited in Development Agreement other than submission of transfer for Supercuts’ prior approval.
n. Franchisor's right of first refusal to acquire developer's business	12.C.	Supercuts has 30 days after receipt of offer from you to match offer. Supercuts can require you to produce a signed copy of a proposed purchase offer within 15 days after its receipt of your request for transfer approval.
o. Franchisor's option to purchase developer's business	Not Applicable	The Development Agreement does not contain this provision.
p. Death or disability of developer	12.B.	General assignment provisions apply.
q. Non-competition covenants during the term of the development agreement	7	No involvement in competing business anywhere except for other Regis-owned or franchised businesses, ownership of SUPERCUTS Stores under Franchise Agreements, and ownership of 1% or less of given class of securities of competitive business.
r. Non-competition covenants after the development agreement is terminated or expires	11.B.	No involvement in competing business within Development Area for 2 years except for other Regis-owned or franchised businesses, ownership of SUPERCUTS Stores under Franchise Agreements, and ownership of 1% or less of given class of securities of competitive business.
s. Modification of the agreement	13.G.	No modifications except in writing and agreed to by both parties.
t. Integration/merger clause	13.G.	Only the Development Agreement’s terms are binding (subject to state law). Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable.

Development Agreement		
Provision	Section in Development Agreement	Summary
u. Dispute resolution by arbitration or mediation	13.F.	All disputes not resolved within 15 days after written notice by either party must be submitted for arbitration in Minneapolis, Minnesota on demand of either party (subject to state law).
v. Choice of forum	13.F.	See “u” above for arbitrated matters (subject to state law).
w. Choice of law	13.E.	Minnesota law applies (subject to state law).

The following table lists certain important provisions of the Sublease. You should read these provisions in the agreements attached to this disclosure document.

Sublease		
Provision	Section in Sublease	Summary
a. Length of the Sublease term	3	Term begins at same time as Master Lease and ends one minute before expiration of Master Lease.
b. Renewal or extension of the term	7.C.	Same options to extend term of Master Lease are granted to you as Subtenant if you give timely written notice and are not in default of Franchise Agreement or Sublease.
c. Requirements for franchisee to renew or extend	Not Applicable	The Sublease does not contain this provision.
d. Termination by franchisee	Not Applicable	The Sublease does not contain this provision.
e. Termination by franchisor without cause	Not Applicable	The Sublease does not contain this provision.
f. Termination by franchisor with cause	6 and 11	Supercuts can terminate if you default under Sublease or Franchise Agreement.
g. “Cause” defined - curable defaults	Not Applicable	The Sublease does not contain this provision.
h. “Cause” defined - non-curable defaults	6 and 11.C.	Failure to comply with Master Lease, termination of Franchise Agreement, or loss of your right to operate a SUPERCUTS Store at premises constitutes termination of Sublease at Supercuts' election.

Sublease		
Provision	Section in Sublease	Summary
i. Franchisee's obligations on termination/non-renewal	14	If Master Lease terminates, the Sublease terminates provided you have no further liabilities or obligations under Sublease. If Sublease terminates because of default, defaulting party is liable to non-defaulting party for all damages due to termination.
j. Assignment of contract by franchisor	Not Applicable	The Sublease does not contain this provision.
k. "Transfer" by franchisee – defined	9	No assignment or subletting is allowed without Supercuts' prior written approval.
l. Franchisor approval of transfer by franchisee	9	Supercuts has right to approve all transfers.
m. Conditions for franchisor approval of transfer	Not Applicable	No specific conditions in Sublease other than submission of transfer for Supercuts' prior approval.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	The Sublease does not contain this provision.
o. Franchisor's option to purchase franchisee's business	Not Applicable	The Sublease does not contain this provision.
p. Death or disability of franchisee	Not Applicable	The Sublease does not contain this provision.
q. Non-competition covenants during the term of the franchise	Not Applicable	The Sublease does not contain this provision.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	The Sublease does not contain this provision.
s. Modification of the agreement	Not Applicable	The Sublease does not contain this provision.
t. Integration/merger clause	Not Applicable	The Sublease does not contain this provision.
u. Dispute resolution by arbitration or mediation	Not Applicable	The Sublease does not contain this provision.
v. Choice of forum	Not Applicable	The Sublease does not contain this provision.

Sublease		
Provision	Section in Sublease	Summary
w. Choice of law	Not Applicable	The Sublease does not contain this provision.

ITEM 18
PUBLIC FIGURES

Supercuts does not use any public figure to promote its franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

I. Average Store Gross Sales Information

The first portion of the following financial performance representation discloses historical average Store gross sales during the 12-month period ending June 30, 2013 for 902 franchised SUPERCUTS Stores operating throughout the United States. (Historical financial performance information for SUPERCUTS Stores owned and operated by Supercuts, the franchisor, follows afterward.) The Stores whose gross sales were included in order to calculate the average were open for at least 2 full years as of July 1, 2012, the beginning of the 12-month period for which the numbers were calculated (meaning that the Stores were open for at least 3 full years as of June 30, 2013). As of June 30, 2013, there were an additional 197 franchised SUPERCUTS Stores operating throughout the United States. However, those Stores' gross sales were not included in this calculation because they either (a) were not open at all as of July 1, 2012, the beginning of the 12-month period for which the numbers were calculated, or (b) had not been open for 2 full years as of that date.

The following information has been compiled from the figures reported on sales and royalty statements submitted by the franchisees of these 902 franchised Stores. While Supercuts believes this information to be accurate and complete, it has not independently audited this information or otherwise verified its accuracy. The numbers reported for these franchised Stores do not include the operating results of any of the 910 SUPERCUTS Stores owned and operated by Supercuts, the franchisor, as of June 30, 2013.

The 902 franchised Stores included in this financial performance representation are located in the following states:

- | | |
|---------------------|------------------------|
| 1. Alabama (12) | 21. Nebraska (12) |
| 2. Arkansas (11) | 22. New Hampshire (21) |
| 3. Arizona (29) | 23. New Jersey (19) |
| 4. California (224) | 24. New Mexico (15) |

5.	Colorado (2)	25.	New York (5)
6.	District of Columbia (1)	26.	North Carolina (5)
7.	Florida (42)	27.	North Dakota (2)
8.	Georgia (16)	28.	Oklahoma (58)
9.	Idaho (8)	29.	Oregon (15)
10.	Illinois (32)	30.	Pennsylvania (79)
11.	Indiana (8)	31.	South Carolina (5)
12.	Iowa (3)	32.	Tennessee (8)
13.	Kansas (4)	33.	Texas (101)
14.	Kentucky (2)	34.	Utah (1)
15.	Louisiana (17)	35.	Vermont (2)
16.	Maine (12)	36.	Virginia (6)
17.	Massachusetts (62)	37.	Washington (48)
18.	Michigan (1)	38.	Wisconsin (2)
19.	Missouri (6)	39.	Wyoming (1)
20.	Mississippi (5)		

The average total gross sales for this group of 902 franchised Stores during the 12-month period ending June 30, 2013 was \$330,198. A total of 371 franchised Stores, or 41.13%, exceeded this average. For purposes of this financial performance representation, "gross sales" is defined as total gross revenue (net of customer discounts) derived from operating a SUPERCUTS Store (including merchandise and services sales), whether from cash or credit sales, and without regard to the payment source or collection costs, but excluding taxes added to the sales price and collected from customers and less bona fide refunds.

The average total gross sales during the 12-month period ending June 30, 2013 for 910 SUPERCUTS Stores that were owned and operated by Supercuts, the franchisor, and open for at least 2 full years as of July 1, 2012, the beginning of the 12-month period for which the numbers were calculated (meaning that the Stores were open for at least 3 full years as of June 30, 2013), was \$270,346. A total of 304 Supercuts-owned Stores, or 33.41%, exceeded this average. (All "Supercuts-owned" Stores described in this Item 19 are owned and operated by Supercuts Corporate Shops, Inc., a wholly-owned subsidiary of Supercuts.) As of June 30, 2013, there were an additional 264 SUPERCUTS Stores owned and operated by Supercuts operating throughout the United States. However, those Stores' gross sales were not included in this calculation because they either (a) were not open at all as of July 1, 2012, the beginning of the 12-month period for which the numbers were calculated, or (b) had not been open for 2 full years as of that date.

The average total gross sales during the 12-month period ending June 30, 2013 for both the 902 franchised Stores and the 910 Supercuts-owned Stores (a total of 1,812 SUPERCUTS Stores) that were open for at least 2 years as of July 1, 2012, the beginning of the 12-month period for which the numbers were calculated (meaning that the Stores were open for at least 3 full years as of June 30, 2013), was \$300,236. A total of 742 Stores, or 40.95%, exceeded this average.

Gross Sales Breakdown by One-Thirds

Franchised Stores

	# of Stores	Average Sales	% of 902 Franchised Stores	# and % of Franchised Stores Exceeding Average
Top one-third	301	\$481,372	33.37%	109/36.21%
Middle one-third	301	\$306,926	33.37%	144/47.84%
Bottom one-third	300	\$201,869	33.26%	167/55.67%
Total	902	\$330,198	100.00%	371/41.13%

Corporate Stores

	# of Stores	Average Sales	% of 910 Supercuts-Owned Stores	# and % of Supercuts-Owned Stores Exceeding Average
Top one-third	304	\$394,318	33.70%	117/38.49%
Middle one-third	303	\$246,389	33.59%	147/48.51%
Bottom one-third	303	\$169,920	33.59%	157/51.82%
Total	910	\$270,346	100.00%	304/33.41%

The products and services offered by each franchised and Supercuts-owned SUPERCUTS Store are essentially the same. The franchised Stores whose gross sales numbers are included in this financial performance representation are substantially similar to the franchises that Supercuts currently offers in all states. These Stores receive substantially the same services from Supercuts. However, Supercuts does not provide services to franchisees that a Store's owner normally provides, such as financing, accounting, legal, personnel, construction, and management services. The availability of these services to a franchisee, as well as their cost and quality, will affect operations.

The financial performance representation in this Section I does not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your SUPERCUTS Store. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

II. Gross Sales (Revenue) and Expense Information for Supercuts-Owned Stores

In addition to the historical gross sales information provided above in Section I, Supercuts provides prospective franchisees with the following historical information regarding the actual average gross sales (revenue) and expenses for the 12 months ended June 30, 2013 of the 910 Supercuts-owned Stores referenced in Section I above that had been open for at least 2 full years as of July 1, 2012 (meaning that the Stores were open for at least 3 full years as of June 30, 2013). (The franchised Stores are not included in this portion of the presentation.) The information is based on the Stores' actual performance. Supercuts has not audited this information.

	All Stores Count 910		<u>GROUP A</u> Top One-Third of Stores Count 304		<u>GROUP B</u> Middle One-Third of Stores Count 303		<u>GROUP C</u> Bottom One-Third of Stores Count 303	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
Revenues								
Service Sales	\$241,365	89.28%	\$353,323	89.60%	\$219,235	88.98%	\$151,169	88.96%
Product Sales	\$ 28,980	10.72%	\$ 40,995	10.40%	\$ 27,154	11.02%	\$ 18,751	11.04%
Total Revenues	\$270,346	100.00%	\$394,318	100.00%	\$246,389	100.00%	\$169,920	100.00%
Expenses								
Labor ¹	\$112,385	41.57%	\$152,268	38.62%	\$ 103,275	41.92%	\$ 81,478	47.95%
Occupancy ²	\$ 41,959	15.52%	\$ 53,522	13.57%	\$ 40,100	16.28%	\$ 32,217	18.96%
Products ³	\$ 16,516	6.11%	\$ 22,739	5.77%	\$ 15,487	6.29%	\$ 11,302	6.65%
Continuing Franchise Fees ⁴	\$ 16,221	6.00%	\$ 23,659	6.00%	\$ 14,783	6.00%	\$ 10,195	6.00%
Advertising ⁵	\$ 12,891	4.77%	\$ 19,074	4.84%	\$ 11,698	4.75%	\$ 7,880	4.64%
Other ⁶	\$ 23,106	8.55%	\$ 27,828	7.06%	\$ 22,354	9.07%	\$ 19,120	11.25%
Total Expenses ⁷	\$223,077	82.52%	\$299,090	75.85%	\$207,698	84.30%	\$162,193	95.45%
Operating Cash Flow*	\$ 47,268	17.48%	\$ 95,227	24.15%	\$ 38,692	15.70%	\$ 7,728	4.55%

* Cash flow numbers are before charging Administrative Overhead, Finance Charges, depreciation, capital expenditures, and other owner expenses. 421 Stores (46.26%) of the total of 910 Stores had Operating Cash Flow that exceeded the 17.48% number. Of the Stores in Group A, 246 Stores (80.92%) of the total of 304 Stores had Operating Cash Flow that exceeded the 24.15% number. Of the Stores in Group B, 149 Stores (49.17%) of the total of 303 Stores had Operating Cash Flow that exceeded the 15.70% number. Of the Stores in Group C, 26 Stores (8.58%) of the total of 303 Stores had Operating Cash Flow that exceeded the 4.55% number.

1. Labor expenses include Stylist Payroll, Manager Payroll, Receptionist Payroll, Payroll Taxes, Health Insurance/Benefits, Vacation/Holiday Pay, Product Commissions, Workers Comp Insurance, and Employee Expense. 506 Stores (55.6%) of the total of 910 Stores had labor expenses that exceeded the 41.57% number. Of the Stores in Group A, 73 Stores (24.01%) of the total of 304 Stores had labor expenses that exceeded the 38.62% number. Of the Stores in Group B, 159 Stores (52.48%) of the total of 303 Stores had labor expenses that exceeded the 41.92% number. Of the Stores in Group C, 274 Stores (90.43%) of the total of 303 Stores had labor expenses that exceeded the 47.95% number.

2. Occupancy expenses include rent, common area maintenance charges, and real estate taxes. 461 Stores (50.66%) of the total of 910 Stores had occupancy costs that exceeded the 15.52% number. Of the Stores in Group A, 93 Stores (30.59%) of the total of 304 Stores had occupancy expenses that exceeded the 13.57% number. Of the Stores in Group B, 153 Stores (50.5%) of the total of 303 Stores had occupancy expenses that exceeded the 16.28% number. Of the Stores in Group C, 215 Stores (70.96%) of the total of 303 Stores had occupancy expenses that exceeded the 18.96% number.

3. Cost of products is set to a standard percentage for all Supercuts-owned stores, plus freight. The standard percentage reflects the effects of discounting and shrinkage. Variations on a per-Store basis also are impacted by the Store's location and the freight charges it must pay.

4. Supercuts-owned Stores do not pay any continuing franchise fees (i.e., royalties). However, this number represents the Continuing Franchise Fees that a franchisee would have paid under the Franchise Agreement given the noted revenues.

5. Advertising expenses includes National Advertising Fund contributions, general advertising, recruitment advertising, and rebates from the National Advertising Fund. 249 Stores (27.36%) of the total of 910 Stores had advertising expenses that exceeded the 4.77% number. Of the Stores in Group A, 97 Stores (31.91%) of the total of 304 Stores had advertising expenses that exceeded the 4.84% number. Of the Stores in Group B, 88 Stores (29.04%) of the total of 303 Stores had advertising expenses that exceeded the 4.75% number. Of the Stores in Group C, 64 Stores (21.12%) of the total of 303 Stores had advertising expenses that exceeded the 4.64% number.

6. Other expenses include Bad Debt, Bank Charges, Cash Over/Short, Charge Card Expense, Dues & Subscriptions, Insurance, Inventory Service Expense, Lease Expense, Miscellaneous POS Expense, Shop Supplies, Taxes, Training, Travel & Entertainment, Telephone, Utilities, Contract Maintenance, License & Permits, Repairs & Services, and Security Expense. 486 Stores (53.41%) of the total of 910 Stores had other expenses that exceeded the 8.55% number. Of the Stores in Group A, 57 Stores (18.75%) of the total of 304 Stores had other expenses that exceeded the 7.06% number. Of the Stores in Group B, 159 Stores (52.48%) of the total of 303 Stores had other expenses that exceeded the 9.07% number. Of the Stores in Group C, 270 Stores (89.11%) of the total of 303 Stores had other expenses that exceeded the 11.25% number.

7. 489 Stores (53.74%) of the total of 910 Stores had total expenses that exceeded the 82.52% number. Of the Stores in Group A, 58 Stores (19.08%) of the total of 304 Stores had total expenses that exceeded the 75.85% number. Of the Stores in Group B, 154 Stores (50.83%) of the total of 303 Stores had total expenses that exceeded the 84.30% number. Of the Stores in Group C, 277 Stores (91.42%) of the total of 303 Stores had total expenses that exceeded the 95.45% number.

Your Store's actual performance will be affected by the specific conditions in your Store's market. These conditions include location, competition within the immediate market area, amount of time in business, lease terms, financing costs, taxes, labor costs, supply costs, local economic and regulatory conditions, your management skills, the quality of the services provided to the Store's customers, and the Store's own marketing and sales efforts. Stores open less than 2 years tend to have lower average sales than those included in the averages above, particularly when they are developed in a new market or a market with few Stores.

The information in this Item is to help you and your professional advisors evaluate the SUPERCUTS franchise opportunity. Some SUPERCUTS Stores have earned this amount. Your individual results may differ. There is no assurance that you will earn as much. Actual results vary from Store to Store, and Supercuts cannot estimate the results of any particular franchise. Written substantiation of the information in this financial performance representation will be made available to you at Supercuts' offices upon reasonable request.

This financial performance representation was prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form.

Other than the preceding financial performance representation, Supercuts does not make any financial performance representations. Supercuts also does not authorize its employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, Supercuts may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to Supercuts' management by contacting Kurt Landwehr, Vice President, Franchise Development, 7201 Metro Boulevard, Minneapolis, MN 55439, (888) 888-7008, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 **OUTLETS AND FRANCHISEE INFORMATION**

All year-end numbers appearing in the tables below are as of June 30 in each year (Supercuts' fiscal year end). All "Company-Owned" Stores listed in the tables below are owned and operated by Supercuts Corporate Shops, Inc., a wholly-owned subsidiary of Supercuts.

Table No. 1

**Systemwide Outlet Summary
For years 2011 to 2013**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2011	1,020	975	-45
	2012	975	1,027	+52
	2013	1,027	1,099	+72
Company-Owned	2011	1,063	1,123	+60
	2012	1,123	1,190	+67
	2013	1,190	1,174	-16
Total Outlets	2011	2,083	2,098	+15
	2012	2,098	2,217	+119
	2013	2,217	2,273	+56

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2011 to 2013**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Florida	2011	4
	2012	4
	2013	2
Maryland	2011	1
	2012	0
	2013	0
Pennsylvania	2011	1
	2012	0
	2013	0
Texas	2011	4
	2012	2
	2013	0

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Total	2011	10
	2012	6
	2013	2

Table No. 3

**Status of Franchised Outlets
For years 2011 to 2013**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
Alabama	2011	12	0	0	0	0	0	12
	2012	12	1	0	0	0	0	13
	2013	13	0	0	0	0	0	13
Arizona	2011	29	0	0	0	0	0	29
	2012	29	1	0	0	0	0	30
	2013	30	2	0	0	0	0	32
Arkansas	2011	11	1	0	0	0	0	12
	2012	12	0	0	0	0	0	12
	2013	12	0	0	0	0	0	12
California	2011	238	5	0	0	2	3	238
	2012	238	18	0	0	2	2	252
	2013	252	12	0	0	0	4	260
Colorado	2011	2	0	0	0	0	0	2
	2012	2	1	0	0	0	0	3
	2013	3	4	0	0	0	0	7
Connecticut	2011	3	0	0	0	3	0	0
	2012	0	3	0	0	0	0	3
	2013	3	1	0	0	0	0	4
Delaware	2011	11	0	0	0	11	0	0
	2012	0	0	0	0	0	0	0

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
	2013	0	0	0	0	0	0	0
Florida	2011	46	2	0	0	3	0	45
	2012	45	0	0	0	0	0	45
	2013	45	4	0	0	0	0	49
Georgia	2011	23	0	1	0	0	3	19
	2012	19	2	0	0	0	2	19
	2013	19	0	0	0	0	1	18
Idaho	2011	8	0	0	0	0	0	8
	2012	8	1	0	0	0	0	9
	2013	9	0	0	0	0	0	9
Illinois	2011	32	0	0	0	0	0	32
	2012	32	0	0	0	0	0	32
	2013	32	2	0	0	0	0	34
Indiana	2011	11	1	0	0	2	0	10
	2012	10	0	0	0	2	0	8
	2013	8	1	0	0	0	0	9
Iowa	2011	3	0	0	0	0	0	3
	2012	3	2	0	0	0	0	5
	2013	5	2	0	0	0	0	7
Kansas	2011	7	0	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	0	0	0	0	0	6
Kentucky	2011	11	0	0	0	8	1	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Louisiana	2011	18	0	0	0	0	0	18
	2012	18	0	0	0	0	0	18
	2013	18	0	0	0	0	1	17
Maine	2011	12	2	0	0	0	0	14
	2012	14	1	0	0	0	0	15

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
	2013	15	1	0	0	0	0	16
Maryland	2011	2	0	0	0	1	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Massachusetts	2011	64	9	0	0	1	0	72
	2012	72	8	0	0	0	0	80
	2013	80	7	0	0	0	0	87
Michigan	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Minnesota	2011	12	0	0	0	9	1	2
	2012	2	0	2	0	0	0	0
	2013	0	0	0	0	0	0	0
Mississippi	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Missouri	2011	7	0	0	0	1	0	6
	2012	6	0	0	0	0	0	6
	2013	6	1	0	0	0	0	7
Nebraska	2011	12	0	0	0	0	0	12
	2012	12	1	0	0	0	0	13
	2013	13	1	0	0	0	0	14
New Hampshire	2011	21	1	0	0	0	0	22
	2012	22	2	0	0	0	0	24
	2013	24	0	0	0	0	0	24
New Jersey	2011	19	2	0	0	0	0	21
	2012	21	2	0	0	0	0	23
	2013	23	1	0	0	0	0	24
New Mexico	2011	17	0	0	0	0	0	17
	2012	17	2	0	0	0	2	17

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
	2013	17	1	0	0	0	0	18
New York	2011	14	0	0	0	9	0	5
	2012	5	0	0	0	0	0	5
	2013	5	1	0	0	0	0	6
North Carolina	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	4	0	0	0	0	9
North Dakota	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	1	2
Ohio	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	5	0	0	0	0	5
Oklahoma	2011	57	9	0	0	0	0	66
	2012	66	5	0	0	0	0	71
	2013	71	3	0	0	0	0	74
Oregon	2011	16	0	0	0	0	0	16
	2012	16	1	0	0	0	0	17
	2013	17	4	0	0	1	0	20
Pennsylvania	2011	81	0	0	0	0	1	80
	2012	80	6	0	0	0	0	86
	2013	86	6	0	0	0	1	91
South Carolina	2011	5	1	0	0	0	0	6
	2012	6	1	0	0	0	0	7
	2013	7	0	0	0	0	0	7
South Dakota	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Tennessee	2011	11	2	0	0	0	0	12
	2012	12	1	0	0	2	0	11

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
	2013	11	0	0	0	0	0	11
Texas	2011	118	4	0	0	16	1	105
	2012	105	5	0	0	0	0	110
	2013	110	12	0	0	0	0	122
Utah	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Vermont	2011	3	0	0	0	1	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Virginia	2011	8	2	0	0	1	0	9
	2012	9	3	0	0	0	0	12
	2013	12	5	0	0	0	1	16
Washington	2011	57	1	0	0	5	3	50
	2012	50	0	0	0	0	1	49
	2013	49	1	0	0	0	0	50
Wisconsin	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Wyoming	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
District of Columbia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Totals	2011	1,020	44	1	0	73	15	975
	2012	975	67	2	0	6	7	1,027
	2013	1,027	82	0	0	1	9	1,099

Table No. 4

**Status of Company-Owned Outlets
For years 2011 to 2013**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alabama	2011	1	0	0	1	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Arizona	2011	43	0	0	3	0	40
	2012	40	2	0	4	0	38
	2013	38	0	0	2	0	36
Arkansas	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
California	2011	163	2	0	7	0	158
	2012	158	33 ⁽¹⁾	2	3	2	188
	2013	188	0	0	1	1	186
Colorado	2011	46	0	0	0	0	46
	2012	46	1	0	1	0	46
	2013	46	0	0	3	0	43
Connecticut	2011	19	2	0	0	0	24
	2012	24	3	0	0	0	27
	2013	27	4	0	0	0	31
Delaware	2011	0	0	11	0	0	11
	2012	11	0	0	0	0	11
	2013	11	1	0	0	0	12
Florida	2011	144	1	4	3	0	141
	2012	141	3	0	2	0	142
	2013	142	1	0	0	0	143
Georgia	2011	21	0	0	0	0	17
	2012	17	1	0	1	0	17
	2013	17	0	0	2	0	15

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Hawaii	2011	28	0	0	0	0	28
	2012	28	0	0	0	0	28
	2013	28	1	0	0	0	29
Illinois	2011	26	0	0	0	0	26
	2012	26	24 ⁽²⁾	0	1	0	49
	2013	49	2	0	0	0	51
Indiana	2011	1	0	2	0	0	3
	2012	3	6 ⁽⁵⁾	0	1	0	8
	2013	8	0	0	1	0	7
Iowa	2011	2	0	0	0	0	2
	2012	2	0	0	0	0	2
	2013	2	0	0	0	0	2
Kansas	2011	10	0	0	3	0	7
	2012	7	0	0	0	0	7
	2013	7	0	0	0	0	7
Kentucky	2011	14	0	8	1	0	21
	2012	21	0	0	0	0	21
	2013	21	0	0	2	0	19
Maryland	2011	0	1	1	0	0	2
	2012	2	0	0	0	0	2
	2013	2	0	0	0	0	2
Massachusetts	2011	8	1	1	0	0	10
	2012	10	2 ⁽⁵⁾	0	0	0	12
	2013	12	1	0	0	0	13
Michigan	2011	22	0	0	1	0	21
	2012	21	0	0	1	0	20
	2013	20	0	0	1	0	19
Minnesota	2011	0	0	9	0	0	9
	2012	9	0	0	2	0	7
	2013	7	0	0	3	0	4

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Missouri	2011	14	0	1	3	0	12
	2012	12	0	0	2	0	10
	2013	10	2	0	0	0	12
Nevada	2011	42	9 ⁽⁵⁾	0	1	0	50
	2012	50	0	0	4	0	46
	2013	46	0	0	2	0	44
New Jersey	2011	45	7	0	0	0	52
	2012	52	14	0	2	0	64
	2013	64	8	0	0	0	72
New York	2011	111	1	9	0	0	121
	2012	121	8	0	6	0	123
	2013	123	0	0	0	0	123
North Carolina	2011	18	0	2	0	0	20
	2012	20	0	0	2	0	18
	2013	18	0	0	1	0	17
Ohio	2011	22	0	0	2	0	20
	2012	20	0	0	0	0	20
	2013	20	0	0	6	0	14
Oklahoma	2011	12	0	0	0	0	12
	2012	12	2	0	0	0	14
	2013	14	0	0	1	0	13
Oregon	2011	27	0	0	1	0	26
	2012	26	0	0	4	0	22
	2013	22	2	0	0	4	20
Pennsylvania	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
Puerto Rico	2011	15	0	0	1	0	14
	2012	14	0	0	5	0	9
	2013	9	1	0	0	0	10

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Rhode Island	2011	15	1	0	0	0	16
	2012	16	5 ⁽³⁾	0	0	0	21
	2013	21	0	0	0	0	21
South Carolina	2011	7	0	0	0	0	7
	2012	7	1 ⁽⁴⁾	0	0	0	8
	2013	8	1	0	0	0	9
Tennessee	2011	27	1	0	0	0	28
	2012	28	2 ⁽⁵⁾	2	2	0	30
	2013	30	0	0	1	0	29
Texas	2011	53	1	16	4	0	66
	2012	66	8 ⁽⁴⁾	0	0	0	74
	2013	74	1	0	0	2	73
Utah	2011	33	0	0	2	0	31
	2012	31	0	0	3	0	28
	2013	28	0	0	1	0	27
Vermont	2011	0	0	1	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
Virginia	2011	37	3	1	0	0	41
	2012	41	0	0	4	0	37
	2013	37	0	0	1	3	33
Washington	2011	6	0	5	0	0	11
	2012	11	0	0	0	0	11
	2013	11	0	0	0	2	9
Wisconsin	2011	29	0	0	2	0	27
	2012	27	0	0	0	0	27
	2013	27	0	0	1	0	26
Totals	2011	1,063	30	74	44	0	1,123
	2012	1,123	115 ⁽⁶⁾	4	50	2	1,190
	2013	1,190	25	0	29	12	1,174

¹ 22 of the 33 Stores converted to Supercuts from other Regis brand salons

² 22 of the 24 Stores converted to Supercuts from other Regis brand salons

³ 3 of the 5 Stores converted to Supercuts from other Regis brand salons

⁴ 1 of the 8 Stores converted to Supercuts from other Regis brand salons

⁵ Stores converted to Supercuts from other Regis brand salons

⁶ 59 of the 115 Stores were conversions from other Regis brand salons

Table No. 5

Projected Openings As Of June 30, 2013

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	2	1
California	5	10	2
Colorado	0	8	0
Connecticut	0	2	1
Florida	0	3	0
Georgia	0	4	0
Illinois	2	5	1
Indiana	0	3	0
Iowa	0	1	0
Kentucky	0	3	0
Maine	0	1	0
Maryland	0	3	0
Massachusetts	1	5	1
Mississippi	1	0	0
Missouri	0	1	1
Nebraska	1	2	0
New Jersey	2	1	5
New Mexico	0	2	0
New York	0	1	5
North Carolina	1	2	0
Ohio	0	4	2
Oklahoma	0	3	0
Oregon	0	1	0
Pennsylvania	3	5	0
South Carolina	0	2	2
Tennessee	1	3	1

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Texas	5	8	1
Utah	0	0	1
Vermont	0	1	0
Virginia	1	1	0
West Virginia	1	2	0
Totals	24	89	24

Exhibit E to this disclosure document (1) lists all SUPERCUTS franchisees and the addresses and telephone numbers of their SUPERCUTS Stores as of June 30, 2013 (or their contact information if they did not yet have locations for their Stores as of June 30, 2013), (2) identifies which franchised Stores were not yet operational as of June 30, 2013, and (3) lists the names, city and state, and current business telephone numbers (or, if unknown, the last known home telephone numbers) of the 11 franchisees who had SUPERCUTS Stores terminated, canceled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement, during Supercuts' most recently completed fiscal year or who have not communicated with Supercuts within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, Supercuts has signed confidentiality clauses with current or former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the SUPERCUTS system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

For information about the SUPERCUTS Franchisee Council and Executive Council that Supercuts formed many years ago, please contact Paul Plate at Supercuts' corporate office (these Councils do not have their own formal contact addresses or telephone numbers). There are no other trademark-specific franchisee organizations associated with the SUPERCUTS system.

ITEM 21 **FINANCIAL STATEMENTS**

Exhibit A is the audited financial statements of Supercuts' parent company, Regis Corporation, as of and for the fiscal years ended June 30, 2013, June 30, 2012, and June 30, 2011. Regis Corporation absolutely and unconditionally guarantees Supercuts' obligations to its franchisees under the Franchise Agreement. Exhibit K is a copy of the Guarantee of Performance.

ITEM 22 **CONTRACTS**

The following agreements/documents are attached to this disclosure document:

Exhibit B	Franchise Agreement (and Location Identification Amendment)
Exhibit C	Sublease

Exhibit D	Development Agreement
Exhibit F	Franchisee Questionnaire
Exhibit G	State Riders to Development Agreement and Franchise Agreement
Exhibit I	Point of Sale System Rental Agreement
Exhibit J	Gift Card Participation Agreement
Exhibit L	Agreements for Purchase and Sale of Assets
Exhibit M	Construction Management Services Agreement

ITEM 23
RECEIPTS

A detachable document in duplicate, which you will find at the very end of this disclosure document, acknowledges your receipt of the disclosure document. The Federal Trade Commission requires Supercuts to have one dated and signed copy of the Receipt back from you before Supercuts can move forward with you. Please promptly sign and return one copy of the Receipt to Supercuts. This does not obligate you to purchase a franchise or Supercuts to sell you a franchise.